

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

**APPLICATION OF COTERRA ENERGY OPERATING CO.
FOR COMPULSORY POOLING, AND TO THE EXTENT
NECESSARY, APPROVAL OF AN OVERLAPPING SPACING
UNIT, LEA COUNTY, NEW MEXICO.**

CASE NO. 25520

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

CASE NO. 25521

**APPLICATION OF COTERRA ENERGY OPERATING CO.
FOR COMPULSORY POOLING,
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CASE NO. 25522

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

CASE NO. 25523

COTERRA ENERGY OPERATING CO.'S CLOSING BRIEF

Coterra Energy Operating Co. ("Coterra") submits this Closing Brief pursuant to the Oil Conservation Division's (the "Division") August 14, 2025 email requesting Closing Briefs limited to 10 pages. The evidence presented at the contested hearing overwhelmingly demonstrates that, applying each of the factors recognized by the Division in determining competing claims for compulsory pooling, Coterra's Sombrero development plan is superior to Rockwood Energy LP's ("Rockwood") Shepard development plan. Thus, Coterra respectfully requests that its applications be granted, that Coterra be designated operator of its Sombrero State Com spacing units ("Sombrero State Com Units"), and that Rockwood's applications be denied.

Significantly, Coterra and Rockwood are in negotiations that, if successful, would result in the Coterra cases moving forward uncontested. The Parties' discussions are not yet final, so out of

an abundance of caution and to comply with the Division's request for a closing argument, Coterra is submitting this Closing Brief.

INTRODUCTION

In its cases, Coterra seeks to pool standard horizontal spacing units in the Bone Spring formation to be dedicated to Coterra's Sombrero State Com wells. Coterra's Sombrero State Com Development Area covers all of Sections 25 and 36, Township 18 South, Range 35 East and all of Sections 1 and 12, Township 19 South, Range 35 East, NMPM, Lea County, New Mexico. Coterra is proposing four Bone Spring laterals, all of which are 4-mile laterals.

The Coterra and Rockwood cases involve partially overlapping competing development plans. Specifically Coterra's pooling applications and Rockwood's pooling applications overlap Sections 25 and 36, Township 18 South, Range 35 East, and all of Section 1, Township 19 South, Range 35 East except the W/2 SE/4 of Section 1. Rockwood is proposing four Bone Spring laterals, three of which are 3-mile laterals and one of which is a 2.5-mile lateral.

As demonstrated at the hearing, Coterra's applications should be granted and Rockwood's applications be denied because:

- It is undisputed Coterra owns the majority working interest no matter how working interest is viewed:
 - Coterra owns approximately 71.41% in its Sombrero units;
 - Coterra owns 63.30% in Rockwood's Shepard units.
- Coterra's Sombrero development plan avoids both surface and economic waste.
- Coterra is able to recover more reserves than Rockwood and will do so more economically because Coterra's AFE costs are lower than Rockwood's on a lateral foot basis.
- Coterra is a prudent operator that has been very active in New Mexico and in Lea County specifically. Rockwood has never drilled a single well in New Mexico.
- Coterra has existing infrastructure in place or planned infrastructure to be constructed and has received or submitted permits necessary for operations, while Rockwood has not.

Ignoring that the Division's factors, discussed below, weigh in Coterra's favor, Rockwood, through Mewbourne Oil Company ("Mewbourne") witnesses, contends that Rockwood should be granted operatorship of the acreage based on two irrelevant and unsupported considerations. First,

the proximity of an existing Coterra well to Coterra's proposed Sombrero State Com 221H well. Second, a lease expiration issue.¹ Both of these contentions were addressed, and refuted, by Coterra at the contested hearing and neither is sufficient to overcome Coterra's testimony and exhibits demonstrating that Coterra is able to prudently and capably operate this acreage in which it owns the majority working interest.

I. COTERRA HAS HIGHER WORKING INTEREST THAN ROCKWOOD AND ALL OTHER DIVISION FACTORS WEIGH IN COTERRA'S FAVOR.

The factors the Division evaluates when analyzing competing applications weigh in favor of granting Coterra's applications. Those factors are:

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 was heard.
7. A comparison of the ability of the applicants to timely locate well sites and to operate on the surface (the "surface factor").

See Order R-21826, ¶ 12. The Division has held that, in the absence of other compelling factors, "working interest control would be the controlling factor" in awarding operations. See *id.* ¶ 11 (quotation marks omitted).

¹ Rockwood also raised purported issues with the timeliness of Coterra's applications and notice, both of which have been resolved in Coterra's favor. The Division determined that Coterra's applications were timely filed, see Hr'g Tr., vol. 1, p. 51, lines 16-24, and Coterra's exhibits demonstrate that Coterra timely sent notice of the contested hearing to Mewbourne (to the extent such notice was required) and to Marshall & Winston. In any event, the contested hearing was continued to September 11, 2025 to allow Rockwood to cure certain notice issues, which also cured any alleged timing issues relating to Coterra's notice.

A. It Is Undisputed that Coterra Has Higher Working Interest Than Rockwood.

Any way the Division looks at it, Coterra has the majority working interest and should be granted operatorship under Division precedent. It is undisputed that Coterra owns approximately 71.41% in Coterra's Sombrero Units. *See* Richter Self-Affirmed Statement ("Richter Decl."), Coterra Ex. A.2, ¶¶ 18-20 & Ex. A.5 & A.6. As Rockwood acknowledged, Coterra has a higher working interest than Rockwood does in *Rockwood's proposed Shepard units*. August 12-13 Hearing Transcript ("Hr'g Tr.") vol. 1, p. 125, lines 21-23 (no one is disputing Coterra's majority interest including that it is undisputed that Coterra has the majority working interest in Rockwood's proposed spacing units); *id.* p. 131, lines 14-18 ("So I don't think we're disputing that Coterra has the most working interest."). In fact, the Parties stipulated to Coterra having the majority interest. Hr'g Tr. vol. 2, p. 15, lines 1-6. Coterra's majority ownership falls within Division precedent confirming that, in the absence of other compelling factors, working interest control is the controlling factor in awarding operations. *See* Order R-21826, ¶ 11.

Not only does Coterra have the majority working interest across all of Sections 25, 36, and 12, Coterra has 100% of the working interest in Section 25, 81.86% of Section 36, and 91.16% of Section 12, where Rockwood has zero, 10.07%, and zero respectively.² Richter Decl. ¶ 21. Coterra should be allowed to develop Sections 25, 36, and 12 where it owns from 81.86% to 100%.

B. Rockwood Failed to Demonstrate that Any of the Division's Other Factors Weigh in Its Favor.

Given Coterra's undisputed majority working interest, Rockwood bears the burden of demonstrating that the Division's other factors weigh in Rockwood's favor and against Coterra.

² Marshall & Winston has, as of September 29, 2025, elected in to Coterra's Sombrero wells and thus Marshall & Winston's interest is either neutral (meaning Rockwood has less working interest control) or should be added to Coterra's working interest, increasing Coterra's working interest control.

Rockwood did not, and indeed cannot, meet this burden. Rather, as demonstrated at the contested hearing, the remaining Division factors all weigh heavily in Coterra's favor. This brief first addresses the Division's three factors pertaining to preventing waste, timely development, and minimizing risk, and then turns to the remaining factors.

1. Coterra Is a Prudent Operator, Can Timely Locate and Operate Wells on the Surface, and Coterra's Plan Presents Far Less Risk than Rockwood's.

Rockwood did not seriously dispute that Coterra is a prudent operator that can efficiently and effectively operate the Sombrero wells and thereby prevent waste. The overwhelming evidence demonstrated that Coterra's Sombrero development plan avoids both surface and economic waste. Coterra's plan avoids surface waste because it is part of a comprehensive development strategy that will allow Coterra to leverage facilities and infrastructure. *See* Boyle Self-Affirmed Statement ("Boyle Decl."), Coterra Ex. D, ¶¶ 6-9 & Ex. D.1 & D.2 (testimony and exhibits demonstrating that Coterra's development plan will reduce surface and economic waste through the use of centralized drill pads and a shared central facility. Coterra's plan will also result in a greater ultimate economic recovery of resources because, its development plans are less costly and result in more economic recovery than Rockwood's. The un-contradicted evidence established that Coterra's 4-mile Sombrero development plan is estimated to make an additional \$3,753,000.00 per section developed compared to Rockwood's Shepard plan. *See* Weinkauff Self-Affirmed Statement ("Weinkauff Decl."), Coterra Ex. C, ¶ 13 & Ex. C.2. Coterra's development plan are estimated to yield approximately 12 barrels of oil more per \$1000 of capital expenditures than Rockwood's. *Id.* ¶ 14; *see also* Hr'g Tr. vol. 2, pp. 173-174. Coterra's tankless battery design will reduce emissions. *See* Boyle Decl. ¶¶ 20-21 & Ex. D.8 to D.9.

Significantly, Rockwood is not even proposing to develop Section 12, *see* Hr'g Tr. vol. 2, p. 68, lines 7-10; *id.* p. 77, lines 1-10. Rockwood's decision to not develop Section 12 would create

waste. Thus, Coterra's plan develops greater hydrocarbons with fewer wells than would be necessary under Rockwood's plans. *Cf.* NMSA 1978, § 70-2-17(C) ("[T]he 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.").

Coterra also demonstrated that it can timely drill and operate wells on the Sombrero acreage and can operate those wells. *See, e.g.,* Hr'g Tr. vol. 2, p. 101-102 (discussing Coterra's activity in New Mexico, its rig and crew availability, and operating budget); *id.* pp. 130-131; p. 261; pp. 263-264. Coterra has existing or planned third-party take-away, which not only reduces costs but also demonstrates Coterra's readiness to develop this acreage. *See* Boyle Decl. ¶¶ 10-19 & Ex. D.3 to D.7 (testimony and exhibits establishing Coterra's readiness to develop this acreage because Coterra has Coterra-owned takeaway infrastructure with the ability to deliver to identified third-party take away in the area and discussing Coterra's infield power distribution system); *see also generally* Hr'g Tr. vol. 2, pp. 236, 239. Rockwood did not present any testimony or exhibits demonstrating its readiness to begin developing this acreage. *See, e.g.,* Hr'g Tr. vol. 1, pp. 126-128. In fact, the only evidence Rockwood advanced to support this factor was its C-102s, which were initially incomplete and inaccurate. *See id.* p. 127, lines 5-10; *id.* p. 86, lines 11-13 (initial C-102s not admitted into the record with opportunity to provide revised C-102s).

Coterra's development plan is also less risky than Rockwood's. Coterra is a proven operator. Coterra has drilled 578 wells in New Mexico and Texas since 2020 and, at the time of the contested hearing, had 5 rigs deployed drilling 17 wells in New Mexico. *See* Sleeper Self-Affirmed Statement ("Sleeper Decl."), Coterra Ex. E, ¶¶ 10-13 & Ex. E.1; *see generally* Hr'g Tr. vol. 2, pp 256-258. Coterra also established that it can effectively execute four mile laterals. *See* Sleeper Decl. ¶¶ 14-19 & Ex. E.2; Hr'g Tr. vol. 2, pp 253-255; pp. 257-261. By contrast, Rockwood *has not drilled or operated a well in New Mexico*, and even though it is the applicant

for these cases, Rockwood apparently *does not intend to drill or operate them*. See, e.g., Hr'g Tr. vol. 1, p. 81, lines 14-17; *id.* p. 115, lines 24-25; *id.* vol. 2, p. 31, lines 16-17.

2. The Remaining Factors Favor Coterra.

The Division's remaining factors—geology, AFE costs, and good faith negotiations—favor Coterra. As Coterra's geologist testified at the hearing, Coterra's longer laterals will target thicker reservoir to the south. Frey Self-Affirmed Declaration, Coterra Ex. B, ¶ 10; Ex. B.4; Hr'g Tr. vol. 2, p. 165, lines 15-17. Rockwood presented no contrary evidence. Coterra's evidence that its AFE costs are lower than Rockwood's AFE costs on a lateral foot basis, was also unrebutted and thus this factor weighs in Coterra's favor. See Weinkauff Decl. ¶¶ 9-10; Ex. C.1. Coterra's AFEs estimate costs of \$765.00 per lateral foot while Rockwood's proposed AFEs estimate costs of \$983.00 per lateral foot. Moreover, Rockwood's AFEs are unreliable because they seem to be based on an inaccurate cost for facilities. See Weinkauff Decl. ¶¶ 10-11.

The good faith negotiations factor is either neutral or weighs in Coterra's favor. As Mr. Richter, Coterra's landman testified, Coterra has had extensive discussions with Rockwood, which are reflected in both Coterra's and Rockwood's exhibits. See Hr'g Tr. vol. 2, pp. 117-119 (outlining communications and reviewing Rockwood's summary of contacts and noting it was "consistent communication" between Rockwood and Coterra); Coterra Ex. A.8 (summary of contacts). Mr. Richter also testified about the fact that negotiations had been a bit of a moving target because Coterra was not sure whether it should be negotiating with Rockwood, with Mewbourne, or with both. See Hr'g Tr. vol. 2, pp. 120; 122-123 (describing uncertainty).

In sum, Rockwood did not, and indeed cannot, meet its burden to show that the Division's other factors weigh in Rockwood's favor and against Coterra. Instead, given Coterra's undisputed majority working interest, and the testimony demonstrating Coterra's ability to timely, efficiently,

and cost effectively develop this acreage, Coterra's applications should be granted and Rockwood's denied.

II. ROCKWOOD'S COUNTER ARGUMENTS ARE UNSUPPORTED AND UNAVAILING

Rockwood's two primary arguments against Coterra's proposed development plans lack evidentiary support and are unavailing.

A. Rockwood Did Not Present Any Credible, Reliable Evidence Regarding the Potential Impacts from Coterra's Sombrero State Com 221H Well.

Rockwood's concerns about well communication due to the proximity of Coterra's proposed Sombrero State Com 221H well to the existing Blue Box Fed Com 505H well are unfounded and unsupported by any Rockwood's testimony and exhibits or any other credible evidence.³ Rockwood's only affirmative exhibit in support of Rockwood's speculative position was a "simple mathematical calculation," *see* Hr'g Tr. vol. 2, p. 37, lines 19-25. But when asked by Mr. Fordyce, the Division's Technical Examiner, whether this simple calculation "was common reservoir engineering practice," Mr. Eddington, Mewbourne's reservoir engineer, responded "No, sir." *Id.* p. 82, lines 1-13. The unreliability of this exhibit was driven home by Mr. Fordyce when he asked Mr. Eddington: "So it would be safe to say there's no engineering basis production data or reservoir modeling to support this assumption?" *Id.* p. 82, lines 14-22. Mr. Eddington's attempt to deflect by referring to Rockwood's frac hit rebuttal exhibit does not cure the fact that neither he nor Rockwood provided any testimony or evidence to support Rockwood's claim that the Blue Box Fed Com 505H well would negatively affect the Sombrero State Com 221H well. *Id.*

³ Mewbourne, who employs the witnesses who testified at the hearing, does not have a working interest in the wells at issue (the existing Blue Box Fed Com 505H well or in the proposed Sombrero State Com 221H well). *See, e.g.*, Hr'g Tr. vol. 1, p. 116, lines 9-11. As a result, Mewbourne has no interest to advance with respect to whether Coterra's proposed Sombrero State Com 221H well will impact or be impacted by the existing Blue Box Fed Com 505H well.

Beyond lacking any recognized engineering principles, Rockwood's simple mathematical calculation did not take into account the additional reserves that would be gained by the additional lateral footage, as Rockwood's witness acknowledged. *See* Hr'g Tr. vol. 2, p. 74, lines 18-25. Rockwood's witness also acknowledged that he did not provide any technical support or any exhibits illustrating the hydrocarbons in place near the Blue Box Fed Com 505H well and the Sombrero State Com 221H well. *Id.* p. 75, lines 2-6. Rockwood's witness further acknowledged that there is larger part of the Sombrero State Com 221H well's lateral that is NOT overlapping with the Blue Box Fed Com 505H well. *Id.* p. 77-78. In other words, Rockwood failed to present a full picture of the benefits of the additional reserves the Sombrero State Com 211H well will capture, rendering Rockwood's testimony and evidence inaccurate and incomplete.

As demonstrated by Coterra's expert reservoir engineer testimony, Coterra analyzed the potential impacts on the Blue Box Fed Com 505H well from the Sombrero 221H well and Coterra determined that both Rockwood and Coterra's development plan have the same potential to impact the Blue Box Fed Com 505H well. *See* Weinkauff Decl. ¶¶ 18-20. Mr. Weinkauff concluded that the potential depletion impacts could range from 0 to 10%. *See id.* ¶ 18; Hr'g Tr. vol. 2, pp. 175-176; 187-188; 192-193 (discussing, based on expert opinion and analysis, the impacts, or lack thereof, of the existing/new well).

In sum, Rockwood's contentions regarding the potential impacts of the Blue Box Fed Com 505H well on the Sombrero State Com 221H well (and vice versa) do not support Rockwood's argument that Coterra's applications should be denied. And, Rockwood's exhibits do not demonstrate that this issue warrants granting operatorship to Rockwood—an entity that has never drilled a single well in New Mexico.

2. Rockwood's Lease Expiration Issue Is Not Compelling

Rockwood's reliance on the lease expiration issue is unavailing.⁴ First, Rockwood did not even bother to introduce the lease as an exhibit or identify the specific lease expiration language through testimony or other exhibit. Mr. Jolly's written testimony states only that there are "applicable lease expirations" and his testimony at the hearing was also limited—he testified that there is lease, with a July 2026 expiration date, while acknowledging that his written testimony did not include any information about the expiration date. Hr'g Tr. vol. 1, p. 156, lines 14-24. Second, any risk of lease expiration is a result of Rockwood's own delay. Rockwood acquired the lease in the fall of 2024, *see* Hr'g Tr. vol. 1, p. 146, line 19, but the only steps that Rockwood has undertaken to develop the acreage is to send out proposal letters. *Id.* pp. 146-148.

Finally, and most importantly, Coterra is positioned to drill wells on this acreage to avoid the lease expiration issues. Hr'g Tr. vol. 2, pp 101-102; 104. Rockwood presented no evidence that it is prepared to drill this acreage. Coterra's landman, Mr. Richter, testified that Coterra is prepared to drill its Sombrero wells in a timely fashion. Coterra's other witnesses demonstrated that Coterra has the capacity and capability to do so. As a result, the lease expiration issue is a red herring and is not a basis for denying Coterra's applications and granting Rockwood's.⁵

CONCLUSION

All of the factors considered by the Division favor Coterra's development plan, including what the Division has termed the "controlling factor," working interest control, and demonstrate that Coterra's applications should be granted and Rockwood's denied.

⁴ Again, Mewbourne provided no testimony that it is a party to the lease that is expiring or that it has any present interest in the lease or in the acreage at issue in these cases. Instead, the testimony demonstrated that Mewbourne's only interest would accrue if Rockwood is awarded operatorship and if Rockwood then transfers operatorship to Mewbourne. *See, e.g.*, Hr'g Tr. vol. 1, p. 81, lines 14-17.

⁵ As discussed at the contested hearing, Rockwood's applications, testimony, and exhibits suffer from procedural or evidentiary defects that also support denying Rockwood's applications.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that on October 9, 2025, I served a copy of the foregoing to the following counsel of record via Electronic Mail to:

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