

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

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

CASE NO. \_\_\_\_\_

**APPLICATION**

Coterra Energy Operating Co. ("Coterra"), OGRID Number 215099, through its undersigned attorneys, hereby submits this application to the Oil Conservation Division pursuant to the provisions of NMSA (1978), Section 70-2-17, for an order (1) approving a non-standard unit (2) pooling all uncommitted mineral interests within a non-standard 640-acre, more or less, Bone Spring spacing unit comprised of the E/2 of Sections 25 and 36, Township 19 South, Range 33 East, NMPM, Lea County, New Mexico, and (3) approving, to the extent necessary, an overlapping spacing unit. In support of this application, Coterra states as follows:

1. Coterra has an interest in the subject lands and has a right to drill and operate a well thereon.
2. Coterra seeks to dedicate the E/2 of Sections 25 and 36, Township 19 South, Range 33 East, NMPM, Lea County, New Mexico to form a 640-acre, more or less, Bone Spring horizontal spacing unit.
3. Coterra seeks approval of the 640-acre non-standard spacing to efficiently locate surface facilities, reduce surface disturbance, consolidate roads, tanks, and pipelines, and promote effective well spacing.
4. Coterra seeks to dedicate the unit to the following wells:

- a. **Eastwood Federal Com 36-25 #123H, Eastwood Federal Com 36-25 #153H, Eastwood Federal Com 36-25 #223H, and Eastwood Federal Com 36-25 #353H** wells with proposed surface hole locations in the SE/4 SE/4 (Unit P) of Section 36 and proposed last take points in the NW/4 NE/4 (Unit B) of Section 25; and
  - b. **Eastwood Federal Com 36-25 #124H, Eastwood Federal Com 36-25 #154H, and Eastwood Federal Com 36-25 #224H** wells with proposed surface hole locations in the SE/4 SE/4 (Unit P) of Section 36 and proposed last take points in the NE/4 NE/4 (Unit A) of Section 25.
5. The wells will be horizontally drilled, and the producing areas for the wells are expected to be orthodox.
6. This proposed unit will partially overlap with the following existing spacing units:
- a. A 40-acre spacing unit dedicated to the Smith #001H (API No. 30-025-27705) located in the NW/4 SE/4 of Section 25, Township 19 South, Range 33 East and operated by Cimarex Energy Co. of Colorado;
  - b. A 40-acre spacing unit dedicated to the Smith #002H (API No. 30-025-38952) located in the SE/4 SE/4 of Section 25, Township 19 South, Range 33 East and operated by Cimarex Energy Co. of Colorado;
  - c. A 40-acre spacing unit dedicated to the Penzoil "36" State #002H well (API No. 30-025-35971) located in the NE/4 NE/4 of Section 36, Township 19 South, Range 33 East and operated by Cimarex Energy Co. of Colorado;
  - d. A 40-acre spacing unit dedicated to the Penzoil "B" 36 State #002H well (API No. 30-025-38300) located in the NW/4 SE/4 of Section 36, Township 19 South, Range 33 East and operated by Cimarex Energy Co. of Colorado;
  - e. A 40-acre spacing unit dedicated to the Penzoil "B" 36 State #004H well (API No. 30-025-38559) located in the SW/4 SE/4 of Section 36, Township 19 South, Range 33 East and operated by Cimarex Energy Co. of Colorado; and
  - f. A 40-acre spacing unit dedicated to the Penzoil "B" 36 State #005H well (API No. 30-025-38560) located in the SE/4 SE/4 of Section 36, Township 19 South, Range 33 East and operated by Cimarex Energy Co. of Colorado.

7. Coterra sought, but has been unable to obtain, a voluntary agreement from all interest owners in the Bone Spring formation underlying the proposed spacing unit to participate in the drilling of the wells or to otherwise commit their interests to the wells.

8. The pooling of all interests in the Bone Spring formation underlying the proposed unit will prevent the drilling of unnecessary wells, prevent waste and protect correlative rights.

9. Approval of a non-standard spacing unit will allow Coterra to efficiently locate surface facilities for the recovery of oil and gas underlying the subject lands and reduce surface disturbance.

WHEREFORE, Coterra requests that this case is set for hearing before an Examiner of the Oil Conservation Division on January 8, 2026, and after notice and hearing as required by law, the Division enter its order:

- A. Approving the non-standard spacing unit;
- B. Pooling all uncommitted mineral interests in the Bone Spring formation underlying the E/2 of Sections 25 and 36, Township 19 South, Range 33 East, NMPM, Lea County, New Mexico;
- C. Designating Coterra as operator of this unit and the wells to be drilled thereon;
- D. Authorizing Coterra to recover its costs of drilling, equipping and completing the wells;
- E. Approving actual operating charges and costs charged for supervision, together with a provision adjusting the rates pursuant to the COPAS accounting procedure;
- F. Setting a 200% charge for the risk involved in drilling and completing the wells in the event a working interest owner elects not to participate in the wells; and
- G. Approving, to the extent necessary, the proposed overlapping spacing unit.

Respectfully submitted,

MODRALL, SPERLING, ROEHL, HARRIS  
& SISK, P.A.

By: 

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**CASE NO. \_\_\_\_: Application of Coterra Energy Operating Co. for approval of a non-standard spacing unit, compulsory pooling, and, to the extent necessary, approval of an overlapping spacing unit, Lea County, New Mexico.** Applicant seeks an order from the Division approving a non-standard spacing unit and pooling all uncommitted interests within a 640-acre, more or less, Bone Spring horizontal spacing unit comprised of the E/2 of Sections 25 and 36, Township 19 South, Range 33 East, NMPM, Lea County, New Mexico. This spacing unit will be dedicated to the following wells: **Eastwood Federal Com 36-25 #123H, Eastwood Federal Com 36-25 #153H, Eastwood Federal Com 36-25 #223H, and Eastwood Federal Com 36-25 #353H** wells with proposed surface hole locations in the SE/4 SE/4 (Unit P) of Section 36 and proposed last take points in the NW/4 NE/4 (Unit B) of Section 25; and **Eastwood Federal Com 36-25 #124H, Eastwood Federal Com 36-25 #154H, and Eastwood Federal Com 36-25 #224H** wells with proposed surface hole locations in the SE/4 SE/4 (Unit P) of Section 36 and proposed last take points in the NE/4 NE/4 (Unit A) of Section 25. The wells will be drilled at orthodox locations. Applicant also seeks, to the extent necessary, approval of an overlapping spacing unit. This proposed unit will partially overlap with the following existing spacing units:

- A 40-acre spacing unit dedicated to the Smith #001H (API No. 30-025-27705) located in the NW/4 SE/4 of Section 25, Township 19 South, Range 33 East and operated by Cimarex Energy Co. of Colorado;
- A 40-acre spacing unit dedicated to the Smith #002H (API No. 30-025-38952) located in the SE/4 SE/4 of Section 25, Township 19 South, Range 33 East and operated by Cimarex Energy Co. of Colorado;
- A 40-acre spacing unit dedicated to the Penzoil "36" State #002H well (API No. 30-025-35971) located in the NE/4 NE/4 of Section 36, Township 19 South, Range 33 East and operated by Cimarex Energy Co. of Colorado;
- A 40-acre spacing unit dedicated to the Penzoil "B" 36 State #002H well (API No. 30-025-38300) located in the NW/4 SE/4 of Section 36, Township 19 South, Range 33 East and operated by Cimarex Energy Co. of Colorado;
- A 40-acre spacing unit dedicated to the Penzoil "B" 36 State #004H well (API No. 30-025-38559) located in the SW/4 SE/4 of Section 36, Township 19 South, Range 33 East and operated by Cimarex Energy Co. of Colorado; and
- A 40-acre spacing unit dedicated to the Penzoil "B" 36 State #005H well (API No. 30-025-38560) located in the SE/4 SE/4 of Section 36, Township 19 South, Range 33 East and operated by Cimarex Energy Co. of Colorado.

Also to be considered will be the cost of drilling, completing, and equipping said wells, the allocation of these costs as well as the actual operating costs and charges for supervision while drilling and after completion, designation of Coterra Energy Operating Co. as operator of the wells, and a 200% charge for risk involved in drilling said wells. Said area is located approximately 28 miles west of Hobbs, New Mexico.