

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

COTERRA ENERGY CO.'S CLOSING BRIEF

Coterra Energy Operating Co. (“Coterra), through its undersigned attorneys, submits its Closing Brief to the Oil Conservation Division.

A. Statement of Facts

OVERVIEW:

1. Both parties are proposing to drill one horizontal well to develop the Wolfbone Pool underlying the W/2 W/2 of Sections 12 and 13, Township 19 South, Range 34 West, N.M.P.M., consisting of 640 acres, more or less (referred to herein as the “Subject Lands”).

2. Coterra is proposing the Showbiz 13-12 State Com 301H Well (the “Showbiz 301H Well”) to be completed in the Third Bone Spring interval of the Wolfbone Pool. Coterra Hearing Packet at 19¹ (Exhibit A at ¶ 7). The Total Vertical Depth of the Showbiz Well is approximately 10,815 feet. *Id.* The lateral length of the Showbiz Well is approximately two miles in length. *Id.* at p. 27 (Ex. A-1, Form 102-C at p. 2).

3. Pride is proposing the Go State Com Well No. 401H (the “Go State 401H Well”) to be targeting the Wolfcamp A Shale. Pride Hearing Packet at 13 (Exhibit A at ¶ 6). The Total Vertical Depth of the Go State 401H Well is approximately 11,025 feet. *Id.* at p. 25 (Ex. A-3, AFE); p. 44 (Ex. B at ¶ 11). The lateral length of the Go State 401H Well is approximately two miles in length. *Id.* at p. 27 (Ex. A-1, Form 102-C at p. 2).

GEOLOGIC EVIDENCE:

4. Coterra’s Showbiz 301H Well will have a North-South orientation that Coterra believes is the preferred orientation in this area. Coterra Hearing Packet at 74 (Ex. B at ¶14); p.

¹ References to page numbers of both parties Hearing Packets are to the page numbers stamped on the upper right-hand corner or, in some cases, the lower right-hand corner of each Hearing Packet.

77 (Ex. B-2). Pride's Go State Well will have a South-North well orientation. Pride Hearing Packet at 45 (Ex. B at ¶ 12.d). Pride states that there is no established and generally accepted preferential drilling orientation based on present-day stress regime or other geologic factors. *Id.*

5. Both Coterra's geology expert, Staci Frey, and Pride's, Harvin Broughton, agree that the horizontal spacing units are justified from a geologic standpoint, that there are no structural impediments or faulting that will interfere with the horizontal development, and that each quarter section in the proposed unit will contribute more or less equally to production. Coterra Hearing Packet at 74 (Ex. B at ¶13). Pride Hearing Packet at 45 (Ex. B at ¶ 12.a, 12.b, and 12.c).

RISK AND DEVELOPMENT:

6. Production results in the area of the Subject Lands firmly evidence that the Third Bone Spring is the more productive interval in the Wolfbone Pool. Coterra Hearing Packet at pp. 88-89 (Ex. D at ¶¶ 14 and 15); p. 97 (Ex. C-6); and p. 166 (Coterra Rebuttal Ex. 1); Tr. at 244:24 – 246:9; Tr. at 247:13 – 248:1 (Kent Weinkauff, Coterra's Reservoir Engineering expert, testifying regarding how Ex. C-6 demonstrates that the Third Bone Spring is more productive in the area near the Subject Lands). In constructing the plot for Ex. C-6, Coterra excluded Upper Wolfcamp wells in locations where the geology was worse than found near the Subject Lands in order to make a fair comparison between production from the Third Bone Spring Sand and the Upper Wolfcamp. Tr. at 356:12 – 357:20; 370:24 – 373:7. Pride's Geology expert agreed that the exclusion of those Upper Wolfcamp wells was appropriate. Tr. at 392:15-23.

7. Coterra Rebuttal Exhibit 1 (Coterra Hearing Packet at 166) compares the productivity of Third Bone Spring Wells versus Wolfcamp Wells in a larger area than shown on Ex. D-5 and evidences that the productivity of Third Bone Spring wells is much better than the

Wolfcamp wells and even if the Wolfcamp wells ultimately recover similar reserves, the additional time they will take to reach similar results will lower the present value of money to working interest and royalty owners. Tr. at 250:21 – 254:2.

8. Coterra is proposing to pump 55 barrels a foot of frac water and 2,600 pounds of proppant that will produce additional reserves. Tr. at 260:17-21; 261:9:14; Tr. at 320:14-18. Pride did not provide any evidence regarding its frac design and Will Gifford, Pride's Petroleum Engineering expert, does not know Pride's planned frac design. Tr. at 168:3-10. Based on Pride's frac design in its existing offsetting Go State wells – 44, 45 barrels a foot of frac water – (Tr. at 262: 9-16; 262:12-16), Coterra's frac design will outperform Pride's as Mr. Gifford implicitly admitted. Tr. at 163:14 – 23 (acknowledging that higher pressure and higher volume frac designs result in higher recovery).

9. Mr. Weinkauf opined that the Showbiz 301H Well will have higher recoveries than Pride's Go State 401H Well given the quality of the Third Bone Spring interval. Tr. at 265:4 – 15.

10. Mr. Gifford agrees that the evidence of production in the area near the Subject Lands where there is no frac baffle between the Third Bone Spring Sand and Upper Wolfcamp A Formation supports Coterra's contention that wells completed in the Third Bone Spring outperform wells completed in the Upper Wolfcamp A. Tr. at 168:11 – 169:18.

11. Because the results of his research contained what could be damaging information to Pride's case, Mr. Gifford did not include that information in his report. Tr. at 169:19-24. Upon re-direct, Mr. Gifford testified that in his research he did not find any Wolfcamp wells within one mile of the Subject Lands. Tr. at 179:6-14. However, the Beefalo wells are poor performing Wolfcamp wells that are plotted on Coterra Ex. 5 (Coterra Hearing Packet at 97), are

located in Sections 6 and 7, Township 19 South, Range 35 East, with Section 7 being within the nine square miles surrounding the Subject Lands. Tr. at 248:2-249:1. Although there is a vintage well that is producing from the Third Bone Spring located on the N/2 of Section 6 Beefalo wells (Tr. at 271:4 - 13), production records for that well, which came on online on June 6, 2013, and completed with about 300 pounds of proppant per foot and about 8 barrels of water per foot, indicate that it has produced only 74,000 barrels of oil. Tr. at 320:11 – 321:8. While Pride’s geologist suggested that the Beefalo wells were not representative of the Subject Lands, he based his opinion on the log from the Airstrip (Pride Hearing Packet at 112 [Sur-Rebuttal Ex. 2]), which he assumed it was representative of the Beefalo laterals based merely on proximity. Tr. at 397:14 – 398:1.

12. While Pride’s words claim that the Wolfcamp is the optimal target interval, Pride’s actions support Coterra’s contention that the Third Bone Spring is the optimal target interval in the Wolfbone Pool. As a threshold matter, since Pride does not own any interest in the Third Bone Spring Sand (Coterra Hearing Packet at 20 [Ex. A at ¶ 14]; p. 30 [Ex. A-2]), it could not propose a well in the Third Bone Spring and therefore was forced to propose its Go State 401H well in the Wolfcamp as the only available option in the Subject Lands.

13. But when Pride had the option of drilling in either the Third Bone Spring or the Wolfcamp, Pride chose the Third Bone Spring. Pride owns 100% working interest in the Upper Wolfcamp Formation in the N/2 of Section 13. Tr. at 95:15-22. However, Pride chose to complete the Go State 305H and 306H Wells located in the N/2 of Section 13, in the Third Bone Spring and not the Wolfcamp Formation. Tr. at 95:1-6; Coterra Hearing Packet at 93 (Ex. C-2) and Tr. at 327:12 – 328:3; Coterra Hearing Packet at 80 (Ex. B-5 [wine rack showing the Go State Go State 305H and 306H Wells]). According to Mr. Gifford these wells are “very good

wells.” Tr. at 172:23 – 173:13. These wells were within one mile of Pride’s proposed Go State 401H Well. 111:23 – 112:13. Although Matt Pride, Pride’s Landman expert witness, testified that these two wells were completed about “six or seven years ago (Tr. at 96:19 – 97:5), these wells were completed in 2022. Tr. at 96:25 – 97:5; 111:23 – 112:9.

14. Coterra, on the other hand, owns working interests in both the Third Bone Spring and the Wolfcamp and could have decided to target the Wolfcamp, but instead after careful evaluation chose to target the Third Bone Spring. Tr. at 217:7-22.

15. Further evidence that Pride does not believe that the Wolfcamp Formation is the optimal interval for production from the Wolfbone Pool is that fact that other than the Go State 401H Well, Pride has no plans to complete any wells in the Wolfcamp Formation. Tr. at 103:1-10.

16. Mr. Gifford asserted in his Statement and his testimony that placing a well in the Upper Wolfcamp will result in a higher EUR (Estimated Ultimate Recovery). Pride’s Hearing Packet a pp. 56-57 (Ex. C at ¶ 5); Tr. at 130:20 – 311:8. However, he admitted on cross examination that he cannot say with any degree of certainty that the Go State 401H Well will recover more reserves than the Showbiz Well. Tr. at 163:14 - 164:-9. In fact, Mr. Gifford does not know what amount of proppant that Pride is going to use to frac the Go State 401H Well (Tr. at 168:3-10), nor does he know what frac volumes Coterra is going to use for its Showbiz 301H Well (Tr. at 158:9-13), undercutting his opinion that Pride’s Go State 401H Well will outperform Coterra’s Showbiz 301H Well.

17. Mr. Gifford testified the reason why he believes that the Go State 401H Well will outperform the Showbiz 301H Well is because the Go State 401H Well is being drilled at a deeper depth (approximately 11,025 feet [Pride Hearing Packet at p. 25 (Ex. A-3, AFE)] than the

Showbiz 301H well (approximately 10,815 feet [Hearing Packet at p. 19 (Exhibit A at ¶ 7)]), and, in his opinion, the fracs for both wells will not go in a downward direction. Tr. at 143:13 – 144:3. However, Pride has no fracture gradients or pressure gradients for this specific area or any microseismic data in the reasonable area to the Subject Lands that indicates fracture growth. Tr. at 172:6-14. And it is “very difficult” to predict how much fracing will go up or go down due to factors such as stress direction, porosity, the mineralogy of the rock and how brittle or ductile a rock is and Pride has not presented that data to support its contention that the fracs will not go down. Tr. at 263:9 – 265:3. The permeability for Third Bone Spring Sand and the Upper Wolfcamp sand is about .01 millidarcy to about 1 millidarcy for both horizons. Tr. at 319:17-24.

GOOD FAITH NEGOTIATIONS

18. Both parties engaged in good faith negotiations in an effort to negotiate voluntary participation by all working interest owners and both Pride and Coterra engaged in a number of in-person, telephonic, and written communications in an attempt to reach an amicable settlement of this contested matter but have been unable to reach a mutually agreeable resolution. Coterra Hearing Packet at 22 (Ex. A at ¶¶ 20-22); pp. 64-65 (Ex. A-4); Tr. at 200:8-10; and Tr. at 103:11-17 (Matt Pride, Pride’s Landman expert witness, acknowledging that both parties negotiated in good faith).

PRUDENT OPERATIONS:

19. In 2025 alone, Coterra spud or completed over 120 laterals, with lateral lengths ranging from 4,500’ to over 15,000’ in New Mexico alone Coterra Hearing Packet at 86 (Ex. C at ¶ 9) and p. 92 (Ex. C-1).

20. By contrast, Pride has limited experience in drilling horizontal wells in Lea and Eddy Counties, having drilled and completed only 16 horizontal wells, none of which were greater

than 8,000 feet in length. Tr. at 90:25 – 91:8. Two of the 16 Pride wells were 7,500 feet in length and the remaining 14 wells were one-mile laterals. *Id.* at 91:8-10. While Pride contends that the company that it outsources all of its drilling and completion all wells, Basin Engineering, has drilled hundreds of wells of similar length as proposed by the Go State 401H Well, Pride has never supervised a well with a lateral length of its proposed Go State 401H Well. Tr. at 102:2-24. Furthermore, Pride did not provide the examiners a witness from Basin Engineering, and therefore, the Division was not provided the opportunity to assess and evaluate the actual capabilities and experience of Basin Engineering. In comparison, Coterra's experts questioned by the Division are the staff and personnel directly involved in the drilling and production operations for the Showbiz 301H Well.

21. Based on its 3-well development plan,² Coterra estimates that it will recover 2.92 million barrels of oil, while spending \$32.4 Million in capital expenditures, with a present value cashflow of \$35 Million before any state tax, federal tax or depreciation, and accounting for a 10% discount rate, resulting in the production of 90 barrels of Oil per \$1,000 of capital expenditures. Coterra Hearing Packet at 86-87 (Ex. C at ¶ 10); p. 93 (Ex. C-2); Tr. at 238:3-9. This is considered to be a good recovery on capital expenditures. Tr. at 238:10-24.

22. Coterra will be employing a tankless battery facility for its development of the Subject Lands. The average emissions device (End of line devices and thief hatches) failure of Coterra's tankless facilities is 0%, compared to an average of 8% on Coterra's older tanked facilities. The average tankless CVS flash-gas capture is 96%. By comparison, a typical tanked

² Coterra has been awarded operatorship of the Showbiz 13-12 State Com 101H Well and the Showbiz 13-12 State Com 201H Well. *See* Order No. R-24032.

facility has a CVS flash gas capture of 78%. Coterra Hearing Packet at 101 (Ex. D at ¶ 10) and at p. 105 (Ex. D-2).

23. Coterra's central battery utilizes surge vessels to remove all thief hatches and End-Of-Line devices from the closed vent system, which significantly reduces emissions. Under Coterra's system, there are zero high-risk emission devices, no high-pressure flaring, and redundant vapor recovery units that increase low-pressure gas capture and reduce flaring. There are various aspects of the system that mitigate spills, including containment around all equipment and pumps; stainless steel piping in high-risk areas, transfer pump seal leak detection, and berm switches in containments. Coterra Hearing Packet at 102 (Ex. D at ¶¶ 12-13); p. 106 (Ex. D-3).

24. From 2021 through 2023, Coterra has achieved substantial decreases in Flare Intensity, Green House Gases intensity, and Methane Intensity. Coterra Hearing Packet at 102 (Ex. D at ¶ 15); p. 107 (Ex. D-4). These are "really good metrics," even the ones from 2021, and Coterra still strives to drive that number down as low as it can. Tr. at 292:11-14. Coterra's tankless facilities were significantly responsible for its drastic reduction in flare intensity (Tr. at 294:24 – 295:24), with Coterra's use of surge vessels also contributing to the reduction. Tr. at 296:1-3.

25. Pride did not provide any information as to its history of emissions or flaring. Tr. at 433:10-13.

26. Pride is proposing to use its existing tanked facility for its proposed Go State Well. Tr. at 431:19-24. Pride believes it is "wasteful spending" to invest the extra money in a tankless facility that will reduce emissions and increase spill mitigation. Tr. at 431:25 – 432:12.

COSTS

27. The AFE for the Showbiz Well is \$11,135,319. Coterra Hearing Packet at 58 (Ex. A-3). These costs include roughly \$440,000 in contingency costs to address unforeseen

circumstances (Tr. at 259:16 – 160:1); over \$500,000 for an increased frac size than what Pride has used in its existing offsetting Go State wells – 44, 45 barrels a foot of frac water versus Coterra’s plan of pumping 55 barrels a foot (Tr. at 262: 9-16; 262:12-16); and somewhere around \$270,000 for its tankless facility to lower emissions and spills risk. Tr. at 262:6-10; Tr. at 291:24 – 292:13 And when comparing AFE costs, you have to also consider that Coterra’s higher proppant volume fracking will produce more reserves. Tr. at 261:15-20. *See also:* Tr. at 154:5-15 (Mr. Gifford acknowledging that higher frac volume and pressure increase the recovery of reserves).

28. The AFE for Pride’s Go State Well is \$9,627,750. Pride Hearing Packet at 26. Pride did not present any evidence that it built any contingency costs into its AFE.

29. At first blush, it would appear that Pride’s costs are \$1,507,569 less than Coterra’s. However, the cost differential disappears if Coterra is awarded operatorship of the Showbiz 301H Well because Coterra has been awarded operatorship of the Showbiz 13-12 State Com 101H Well and the Showbiz 13-12 State Com 201H Well. *See* Order No. R-24032. If Coterra is awarded operatorship of the Showbiz 301H Well in this proceeding, the total costs to the Working Interest Owners for drilling the three wells will be \$32,441,402, due to the cost savings realized by the 3-well development plan. Coterra Hearing Packet at 87 (Ex. C at ¶¶ 10-13), at p. 93 (Ex. C-2); p. 94 (Ex. C-5); Tr. at 240:14 – 241:22.

30. On the other hand, if the Division grants Pride’s operatorship of its Go State Well, the Working Interest owners will pay \$9,627,750 for the Go State Well and pay an additional \$1,107,000 for each of Coterra’s Showbiz 13-12 State Com 101H Well and the Showbiz 13-12 State Com 201H Well. Coterra Hearing Packet at 95 (Ex. C-4); Tr. at 331-13 – 22. Under this scenario, the total costs to the Working Interest Owners for three wells will be \$33.1 Million.

Coterra Hearing Packet at 94-95 (Ex. C-3 and C-4); Tr. at 373:18– 375:10). Thus, if the Division awards operatorship to Coterra, the working interest owners will save about \$650,000 in costs. These cost savings will benefit all of working interest owners (Tr. at 243:11-19).

31. While Pride speculates that Coterra will not drill its Showbiz 101H and 201H wells (Pride Hearing Packet at 14 [Ex. A at ¶ 14]), Coterra confirmed that the rate of return on the Showbiz 101H is “outstanding” and the economics of this well is “strong” Tr. at 255:4-14. Coterra Hearing Packet at pp. 168-69 (Coterra Rebuttal Exhibits 2); Tr. at 253:5 – 255:8. While the rate of return on the Showbiz 201H Well is a “bit less than the First Bone Spring . . . we think this is an economic project that our investors would want as well.” Coterra Tr. at 255:15 – 257:2. The bottom line is that Coterra intends to drill these wells. Tr. at 217:23 – 218:9; and 255:9-14.

32. Both parties are proposing overhead and administrative rates of \$10,000 per month for filling each well and \$1,000 per month for each producing well Coterra Hearing Packet at 23 (Ex. A at ¶ 23) and Pride Hearing Packet at 16 (Ex. A at ¶ 22). Both parties are requesting the maximum costs plus 200% risk charge to be assessed against non-consenting working interest owners. Coterra Hearing Packet at 23 (Ex. A at ¶ 24) and Pride Hearing Packet at 16 (Ex. A at ¶ 23).

OWNERSHIP

33. Coterra owns a 53.75% working interest in the Subject Lands with respect to the Third Bone Spring Sand, while Pride does not own any working interest in the Third Bone Spring Sand. Coterra Hearing Packet at 20 (Ex. A at ¶ 14); p. 30 (Ex. A-2).

34. With respect to the Wolfcamp Formation, Coterra owns a 28.75% working interest and Pride owns a 25% working interest. Coterra Hearing Packet at 20 (Ex. A at ¶ 14); p. 31 (Ex. A-2).

35. There is a depth severance between the Third Bone Spring Sand and the Upper Wolfcamp Formation in this acreage creating non-uniform ownership between these two intervals within the Wolfbone Pool. As a result, Pride and Coterra have agreed to a 50/50 allocation between Third Bone Spring Sand and the Upper Wolfcamp Formation. Accordingly, the allocation formula has been stipulated and is not in dispute. Coterra Hearing Packet at 19 (Ex. A at ¶ 10); p. 31 (Ex. A-2); Pride Hearing Packet at 14 (Ex. A at ¶ 15).

36. When equal weight is given to the Bone Spring Sand and Wolfcamp intervals in the Subject Lands, Coterra owns an aggregate 41.25% working interest compared to Pride's 12.5% working interest. Coterra Hearing Packet at 20 (Ex. A at ¶ 14); p. 35 (Ex. A-2); Pride Hearing Packet at 15 (Ex. A at ¶ 15)

SURFACE FACTOR:

37. Granting Coterra's application will cause no additional surface disturbance because it will be locating its pad for the Showbiz 301H Well on the same pad that Coterra will be using for its 1st Bone Spring Sand and 2nd Bone Spring wells that Coterra will be operating regardless of whether it is awarded ownership of the Wolfbone Pool. Coterra Hearing Packet at 100 (Ex. D at ¶ 9); p. 104 (Ex. D-1); Tr. at 201:11 – 202:6.

38. Although Pride will be using a pad already being used for its wells in Section 13, it will have to construct a buried one-mile flow line to connect its proposed 401H well to its facilities, resulting in a temporary surface disturbance that Pride admits will have a surface impact, albeit a very low one. Tr. at 86:16-21.

B. Conclusions of Law

1. When determining awarding operatorship in a contested compulsory pooling proceeding, the Division examines the following seven criteria:

- 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 (AFEs) and other operational costs presented by each party for their respective proposals.
- f. An evaluation of the mineral interest ownership 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").

Novo Oil & Gas North Delaware, LLC, Order No. R-21420-A at ¶ 9 (Sept. 17, 2020).

2. The Geologic Evidence does not favor either party. Statement of Facts (referred to herein as SOF) at ¶¶ 4-5.

3. The Risk and Development factor strongly favors Coterra for the following reasons: (1) Coterra is targeting the Third Bone Spring interval of the Wolfbone Pool that the evidence establishes is the optimal landing zone (SOF at ¶¶ 6-7); (2) Coterra's frac design is more robust than Pride's which will produce more reserves and Pride concedes this point (SOF at ¶ 8); (3) Pride's Petroleum Engineering expert, Mr. Gifford, agrees that evidence of production near the Subject Lands supports Coterra's contention that the Third Bone Spring is the optimal target zone (*id* at ¶ 10) and did not include evidence he found supporting this point because it could be damaging to Pride's case (SOF at ¶ 11) thereby harming his credibility as an

expert witness; (4) when Pride had the option of drilling a well in either the Third Bone Spring or the Upper Wolfcamp in its adjacent development, an option not open to Pride in the Subject Lands, it chose the Third Bone Spring Sand (SOF at ¶¶ 12-13) and has no plans to drill in the Wolfcamp (SOF at ¶ 15); (5) in this case, Coterra had the option of drilling in either interval and after careful evaluation chose the Third Bone Spring (SOF at ¶ 14); (6) Mr. Gifford conceded that he cannot say with any degree of certainty that Pride's Go State 401H Well will outperform Coterra's Showbiz 301H Well since he does not know either parties' frac design (SOF at ¶ 16); and (7) Mr. Gifford does not have the data necessary to support his opinion that the fracs for Coterra's Showbiz 301H Well will not go in the downward direction (SOF at ¶ 17).

4. Both parties engaged in good faith negotiations. *Id.* at ¶ 18.

5. Coterra's ability to prudently operate the property and, thereby, prevent waste, is superior to Pride's for the following reasons: (1) Coterra has much more experience in drilling and completing wells in New Mexico than Pride which has no experience in supervising the drilling of a lateral the length of its proposed Go State 401H Well (SOF ¶ 19-20); (2) based on a three-well development, Coterra will produce 2.92 million barrels of oil, while spending \$32.4 Million in capital expenditures, with a present value cashflow of \$35 Million resulting in production of 90 barrels of Oil per \$1,000 of capital expenditures, constituting a good recovery on capital expenditures (SOF ¶ 21); (3) Coterra's use of a tankless facility will result in less emissions, less flaring, increased spill mitigation (SOF ¶¶ 23-24); (4) Coterra has achieved significant reduction in Flare Intensity, Green House Gases intensity, and Methane Intensity since 2021 when its metrics were already "really good" (SOF at ¶ 25); (5) Pride did not provide any information regarding its history of emissions (SOF at ¶ 26); and (6) Pride is proposing a

tanked facility, believing that the environmental advantages of employing a tankless facility constitutes “wasteful spending.” SOF at ¶ 27.

6. If the Division grants Coterra operatorship of the Showbiz 301H well, the working interest owners will incur approximately \$650,000 less in costs than they would if Pride is awarded operatorship. SOF at ¶¶ 29-30. Moreover, Coterra’s AFE includes roughly \$400,000 in contingency costs, spending approximately \$500,000 more than Pride for increased frac pressure and water that will result in the production of more reserves, and spending somewhere around \$270,000 for its tankless facility to lower emissions and decrease the risk of spills. SOF at ¶¶ 27-28. Pride did not present any evidence to account for contingency costs in its AFE. SOF at ¶ 28. Pride is proposing a tanked facility that does not provide the environmental protections inherent in a tankless facility, eschewing a tankless facility as “wasteful spending.” SOF at ¶ 26. Pride’s assertion that Coterra will not develop the Showbiz 101H and 201H Wells for which the Division granted it operatorship under Order No. R-24032 in order to garner the economic advantages in a 3-well development is not supported by the evidence. SOF at ¶ 31.

7. Both parties are requesting the same overhead rates and both are requesting maximum costs plus a 200% risk charge for nonconsenting working interest owners. SOF ¶ 32.

8. Coterra enjoys a significant advantage in terms of ownership –41.25% working interest compared to Pride’s 12.5% working interest. SOF at ¶¶ 33-36.

9. Finally, while granting operatorship to either party will not result in any additional surface disturbances with respect to well pads, Pride will have to dig up almost a full mile of surface to install its flowline to its existing facilities. SOF at ¶¶ 37-38. While that flow line will be buried, Pride admits that it will have surface impact, albeit a very low one. SOF ¶ 39. Thus, Coterra enjoys a slight edge in the Surface Factor.

10 Measured against each of the Division's seven criteria for determining which application and development plan the Division should approve, Coterra enjoys a significant advantage over Pride under the of Risk and Development, Prudent Operations, Costs, and Ownership criteria and a slight advantage under the Surface Factor. Moreover, there are no remaining criteria by which Pride can show any advantage over Coterra. Thus, after evaluation of the evidence, all indications from the Division's criteria establish that Coterra's proposed development plan is geologically sound, will produce more reserves, is economically efficient, operationally prudent, and environmentally responsible.

11. Based on substantial record evidence, Coterra respectfully requests that the Division grant Coterra's compulsory pooling application, deny the competing application, and designate Coterra as operator of the unit.

Respectfully submitted,

ABADIE & SCHILL, PC

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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was filed with the New Mexico Oil Conservation Division and was served on counsel of record via electronic mail on February 25, 2026:

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