

**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,
LEA COUNTY, NEW MEXICO.**

CASE NO. 25522

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

CASE NO. 25523

PRE-HEARING STATEMENT

Coterra Energy Operating Co. ("Coterra") submits this Pre-Hearing Statement for the above-referenced cases pursuant to the rules of the Oil Conservation Division.

APPEARANCES

APPLICANT

COTERRA ENERGY OPERATING CO.

ATTORNEY

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OTHER PARTIES

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STATEMENT OF CASES

In these consolidated 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 filed four applications as follows:

In Case No. 25520, Coterra seeks an order from the Division pooling all uncommitted interests within a 640-acre, more or less, Bone Spring horizontal spacing unit comprised of the W/2W/2 of Sections 25 and 36, Township 18 South, Range 35 East and the W/2W/2 of Sections 1 and 12, Township 19 South, Range 35 East, NMPM, Lea County, New Mexico. This spacing unit will be dedicated to the Sombrero State Com #221H well, with a proposed surface hole location in the SW/4 of Section 12, Township 19 South, Range 35 East, and a proposed bottom hole location in the NW/4 NW/4 (Unit D) of Section 25, Township 18 South, Range 36 East. Coterra also seeks, to the extent necessary, approval of an overlapping spacing unit.

In Case No. 25521, Coterra seeks an order from the Division pooling all uncommitted interests within a 640-acre, more or less, Bone Spring horizontal spacing unit comprised of the E/2W/2 of Sections 25 and 36, Township 18 South, Range 35 East and the E/2W/2 of Sections 1 and 12, Township 19 South, Range 35 East, NMPM, Lea County, New Mexico. This spacing unit will be dedicated to the Sombrero State Com #222H well, with a proposed surface hole location in the SW/4 of Section 12, Township 19 South, Range 35 East, and a proposed bottom hole location in the NE/4 NW/4 (Unit C) of Section 25, Township 18 South, Range 36 East.

In Case No. 25522, Coterra seeks an order from the Division pooling all uncommitted interests within a 640-acre, more or less, Bone Spring horizontal spacing unit comprised of the W/2E/2 of Sections 25 and 36, Township 18 South, Range 35 East and the W/2E/2 of Sections 1 and 12, Township 19 South, Range 35 East, NMPM, Lea County, New Mexico. This spacing unit will be dedicated to the Sombrero State Com #223H well, with a proposed surface hole location in the SE/4 of Section 12, Township 19 South, Range 35 East, and a proposed bottom hole location in the NW/4 NE/4 (Unit B) of Section 25, Township 18 South, Range 36 East.

In Case No. 25523, Applicant seeks an order from the Division pooling all uncommitted interests within a 640-acre, more or less, Bone Spring horizontal spacing unit comprised of the E/2E/2 of Sections 25 and 36, Township 18 South, Range 35 East and the E/2E/2 of Sections 1 and 12, Township 19 South, Range 35 East, NMPM, Lea County, New Mexico. This spacing unit will be dedicated to the Sombrero State Com #224H well, with a proposed surface hole location in the SE/4 of Section 12, Township 19 South, Range 35 East, and a proposed bottom hole location in the NE/4 NE/4 (Unit A) of Section 25, Township 18 South, Range 36 East.

Rockwood Energy, LP (Rockwood) has filed pooling applications under case numbers 25243-25246 that seek to pool the Bone Spring formation under 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 of the 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.

Coterra's pooling applications partially overlap Rockwood's pooling applications; 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 SW/4 of Section 1 ("Overlapping Acreage").

The issue to be resolved at the contested hearing in these matters is who should be designated operator of the acreage and units at issue. The factors the Division evaluates when analyzing competing applications weigh in favor of granting Coterra's applications. *See* Commission Order R-21416-A. 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-21416-A, ¶ 9.

The Division has held that, in the absence of other compelling factors, “working interest control...should be the controlling factor in awarding operations.” See Order R-10731-B, ¶ 24 (8/31/21). Here, working interest control strongly favors Coterra and, as Coterra will demonstrate at hearing, the other factors the Division considers also weigh in favor of Coterra’s development plan and against Rockwood’s.

Coterra owns the majority working interest across its Sombrero Development Area. Coterra also owns the majority working interest across the Overlapping Acreage. In other words, Coterra has a larger working interest than Rockwood in both Coterra’s Sombrero spacing units and in Rockwood’s own Shepard spacing units.

The Division’s other factors also weigh in Coterra’s favor. Coterra will also demonstrate at the contested hearing in these matters that Coterra’s development plan is superior to Rockwood’s development plan. For example, Coterra’s plan will avoid surface and economic waste. Coterra’s development plan is part of a comprehensive development strategy that will allow Coterra to leverage facilities and infrastructure. Coterra’s longer laterals will target thicker reserves to the

south. Coterra has existing or planned third-party take-away reducing costs and demonstrating readiness.

As a result, Coterra's applications should be granted and Rockwood's denied.

Coterra believes that the following facts are undisputed and are material to the issue presented in these consolidated cases:

1. Coterra has higher working interest than Rockwood across the Sombrero State Com units.
2. Coterra has higher working interest than Rockwood across the Overlapping Acreage.
3. Coterra is an experienced oil and gas operator in Lea County and the Sombrero development proposed in these applications is adjacent to other tracts that are part of a comprehensive development plan.
4. Coterra's development plans minimize surface impacts, and Coterra has existing and planned infrastructure to support Coterra's operations in this area.
5. The Sombrero State Com wells are on Coterra's plan to develop to meet leasehold expiration.
6. The preferred orientation for wells is standup due to the maximum horizontal stress direction in this area.
7. There are no faults, pinch outs or other geologic impediments to developing the Bone Spring formations.
8. Coterra's AFE costs are lower than Rockwood's.

The testimony and evidence at the hearing will address disputed facts and issues relating to the Division's evaluation of competing applications.

PROPOSED EVIDENCE

Coterra has filed self-affirmed declarations for the following witnesses and intends to call them at the hearing in these consolidated matters:

APPLICANT:

WITNESS	ESTIMATED TIME	EXHIBITS
Landman: Scott Richter	Approx. 45 minutes	Approx. 25
Geologist: Staci Frey	Approx. 15 minutes	Approx. 5
Reservoir Engineer: Kent Weinkauf	Approx. 30 minutes	Approx. 7
Facilities Engineer: Calvin Boyle	Approx. 30 minutes	Approx. 10
Drilling Engineer: Weston Sleeper	Approx. 15 minutes	Approx. 2

PROCEDURAL ISSUES

Pursuant to the Pre-Hearing Order entered in these matters, Coterra has filed self-affirmed statements containing the direct testimony for each witness, the exhibits discussed in those affidavits, and the hearing notice affidavits and exhibits. Coterra reserves the rights to call rebuttal witnesses or submit rebuttal exhibits.

Respectfully submitted,

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

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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served on counsel of record by electronic mail on August 6, 2025.

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State of New Mexico
Energy, Minerals and Natural Resources
Oil Conservation Division
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Santa Fe, NM 87505

QUESTIONS

Action 492435

QUESTIONS

Operator: Coterra Energy Operating Co. 6001 Deauville Blvd Midland, TX 79706	OGRID: 215099
	Action Number: 492435
	Action Type: [HEAR] Prehearing Statement (PREHEARING)

QUESTIONS

Testimony	
<i>Please assist us by provide the following information about your testimony.</i>	
Number of witnesses	5
Testimony time (in minutes)	<i>Not answered.</i>