

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

PRIDE ENERGY COMPANY'S PREHEARING STATEMENT

Applicant PRIDE ENERGY COMPANY ("Pride") provides this Pre-Hearing Statement as required by the rules of the Division.

APPEARANCES

APPLICANTS

CASE No. 25562: PRIDE ENERGY COMPANY

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CASE No. 25564: COTERRA ENERGY Co.

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STATEMENT OF THE CASE

In **Case No.25562**, Pride seeks an order pooling all uncommitted mineral interest owners in the Wolfbone formation (Scharb; Wolfbone Pool) underlying a horizontal spacing unit comprised of the W/2W/2 of Section 12 and the W/2W/2 of Section 13, Township 19 South, Range 34 East, NMPM, Lea County, New Mexico (the “Unit”). Applicant proposes to drill the Go State Com. Well No. 401H in the Unit to a depth sufficient to test the Wolfbone formation, The first take point will be in the SW/4SW/4 of Section 13 and the last take point will be in the NW/4NW/4 of Section 12. Due to a depth severance in the Unit, the Division will consider the allocation of production between the Third Bone Spring Sand and the Wolfcamp A Shale in the proposed well. Also to be considered will be the cost of drilling, completing, testing, and equipping the well, and the allocation of the cost thereof among the well’s working interest owners, designation of Applicant as operator of the well and the Unit, approval of actual operating charges and costs charged for supervision, together with a provision adjusting the rates pursuant to the COPAS accounting procedure, and setting a 200% charge for the risk involved in drilling, completing, testing, and equipping the well in the event a working interest owner elects not to participate in the well. The Unit is located approximately 15-1/2 miles north-northeast of Halfway, New Mexico.

In **Case No. 25564**, Coterra Energy Operating Co. seeks an order an order pooling all uncommitted mineral interests in the Wolfbone Pool, designated as an oil pool, encompassing the

Third Bone Spring and Upper Wolfcamp formations, underlying a standard 320-acre, more or less, spacing and proration unit comprised of the W/2 W/2 of Sections 12 and 13, Township 19 South, Range 34 East, NMPM, Lea County, New Mexico. The proposed well to be dedicated to the horizontal spacing unit is the Showbiz 13-12 State Com 301H Well, an oil well, to be horizontally drilled from a surface location in the SW/4 SW/4 (Unit M) of Section 13 to a bottom hole location in the NW/4 NW/4 (Unit D) of Section 12. The well will be orthodox, and the take points and completed intervals will comply with the setback requirements under the statewide Rules; also to be considered will be the proper allocation formula to account for nonuniform ownership across a depth severance in the Wolfbone Pool; the cost of drilling and completing the well and the allocation of the costs thereof; actual operating costs and charges for supervision; the designation of the Applicant as Operator of the wells and unit; and a 200% charge for the risk involved in drilling and completing the wells. The wells and lands are located approximately 15.5 miles north northeast of Halfway, New Mexico.

Evaluation of Competing Applications to Operate the Wolfbone Pool

The Division considers the following seven factors when evaluating competing development plans:

- a. Geology: 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. Risk: Comparison of the risk associated with the parties' respective proposals for the exploration and development of the property.
- c. Good Faith: 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. Operations: Comparison of the ability of each party to prudently operate the property and thereby prevent waste.
- e. Costs: Comparison of the differences in well cost estimates and other operational costs presented by each party for their respective proposal.

f. Ownership: Evaluation of the mineral interest ownership held by each party at the time the application is heard.

g. Surface: Comparison of the ability of the applicants to timely locate well sites and to operate on the surface (the surface factor).

OCC Order No. R-24080 at 3-4, ¶ 12; *see* OCD Order No. R-20223, ¶ 28; *accord* OCC Order No. R-10731-B. These factors are not equally weighted, “the most important consideration in awarding operations to competing interest owners is geologic evidence as it relates to well location and recovery of oil and gas and associated risk.” *Id.*; *see also* Order No. R-10731-B, ¶ 23(f). When competing applicants propose development plans with similar recovery expectations, the Division gives dispositive weight to the remaining factors. *See* Order No. R-21800, ¶ 22 (holding that if there is evidence that one applicant’s plan will result in greater recovery of oil and gas, the OCD need not “consider other factors including working interest control”). Here,

Here, consideration of the foregoing factors reveals that Pride’s proposal is superior and should be approved.

Criterion a—Geological Evidence:

Based on the record in the previous hearing in Case Nos. 22853 and 23295, concerning the same wells at issue here, Pride anticipates that the parties will offer similar geological evidence. This factor therefore will be weighted equally between the two parties.

Criterion b—Risk and Development:

Coterra’s proposal risks leaving reserves in the Wolfcamp interval because fractures usually go up and recover reserves above the wellbore; fractures do not ordinarily go down to recover significant amounts of reserves below the wellbore. This factor therefore weighs in favor of Pride’s proposal to target a lower interval.

Criterion c—Good Faith and Negotiations:

Coterra sat on its hands before proposing to drill, which has resulted in a delay of almost four years in drilling this acreage. Pride first filed an application to forcepool the subject acreage for the Go State 401H on May 3, 2022. After two continuances and two status conferences, Case No. 22853 was set for a contested hearing on November 17, 2022, as agreed to by the parties. Pre-Hearing Order, Case No. 22853 (Sept. 16, 2022); *see* TR 091525 at 21:19-22:1, Case No. 22853 (Mr. Savage, explaining that Cimarex “doesn’t believe it has enough interest to launch a competing application,” but would appear at a contested hearing to do a presentation that Pride’s application should be denied or altered”); *see also id.* at 23:8-11. Nonetheless, at the last minute, Coterra sought to vacate the prehearing order and delay the hearing in Pride’s Case No. 22853, to allow it additional time to file a competing application. Motion for Continuance and to Vacate the Prehearing Order, Case No. 22853 (Nov. 9, 2022). The Division vacated the contested hearing and reset it for February 16, 2023. *See* Scheduling Order, Case No. 22853 (Nov. 10, 2022); Amended Pre-Hearing Order, Case No. 22853 (Nov. 17, 2022). Coterra (then Cimarex) filed its competing application seeking to drill the Showbiz 12 13 301H in the Third Bone Spring on December 15, 2022, Case No. 23295, which was consolidated with Pride’s Case No. 23295. After two more continuances, these original applications were finally heard, on July 20, 2023. Amended Pre-Hearing Order, Case Nos. 22853 and 23295 (Apr. 13, 2023); TR 072023, Case Nos. 22853 and 23295.

After the hearing, in its closing written argument, Pride requested that the Division grant both applications and require that the wells be completed during the same week, to prevent drainage that is not equalized by counter-drainage. Closing Statement of Pride at 7, Case Nos. 22853 and 23295 (Aug. 7, 2023). On the other hand, Coterra urged the Division to grant Coterra’s

application only, without making any effort to consider the drainage of Pride's minerals in the Wolfcamp. *See, e.g.*, Cimarex Energy Co.'s Closing Statement, Case Nos. 22853 and 23285 at 9, ¶¶ 16-17 (stating that wells in the Third Bone Spring are currently draining up to 26% from owners in the Upper Wolfcamp, but arguing that they should not be required to compensate the Wolfcamp owners). Coterra's conduct throughout the pendency of Pride's proposal reveals a lack of good faith. This factor therefore weighs in favor of Pride.

Criterion d—Prudent Operations and Prevention of Waste:

Both companies have a history of drilling and operating horizontal wells in the area. However, Coterra's proposal risks leaving reserves in the Wolfcamp interval due to landing its proposed well in the Third Bone Spring Sand. As explained by Pride's engineering witness, fracs usually go up and not down, which will result in less production from the Wolfcamp interval creating waste. For the same reason, recovery by Pride's Go State 401H will be greater. This factor therefore weighs in favor of Pride.

Criterion e—Comparison of Cost:

Pride currently operates six wells in Section 13, including the Go State Com #101H, #102H, #203H, #204H, #305H, and #306H, and can use the same facilities for the proposed Go State 401H. Consequently, Pride's proposal will result in less surface disturbance and significant cost savings to the working interest owners. A comparison of the applicants' AFEs reveals that Pride's updated AFE is \$1,418,364 less than Coterra's most recent AFE. This factor therefore weighs in favor of Pride.

Criterion f—Working Interest:

Based on surface acreage, Pride's ownership interest in the proposed unit is 12.5%, and Coterra's ownership interest is 41.25%. This factor would weigh in Coterra's favor only if there

were no differences between the parties' proposals on the other six factors. *See Order No. R-21800, ¶ 22* (holding that if there is evidence that one applicant's plan will result in greater recovery of oil and gas, the OCD need not "consider other factors including working interest control").

Criterion g—Surface Factor:

Pride currently operates six wells in Section 13, including the Go State Com #101H, #102H, #203H, #204H, #305H, and #306H, and can use the same facilities for the proposed Go State 401H. Consequently, Pride's proposal will result in less surface disturbance and significant cost savings to the working interest owners. The surface location is owned by the State of New Mexico. Upon approval of Pride's application, Pride will promptly obtain the necessary approval from the State Land Office for the proposed surface location. This factor weighs in favor of Pride, because developing the Go State #401H will result in less surface disturbance due to Pride's existing facilities.

The Seven Factor Analysis Favors Pride

On balance, the evidence will show that Pride's application should be approved because a majority of the factors weigh in favor of Pride: (a) the geological evidence results in a tie, (b) the Risk and Development analysis strongly favors Pride, (c) the Good Faith analysis weighs in favor of Pride, (d) the Prevention of Waste analysis weighs in favor of Pride, (e) the Comparison of Costs weighs in favor of Pride, (f) the Working Interest weighs in favor of Coterra, (g) the Surface Factor strongly weighs in favor of Pride. On balance, the evidence to be presented will favor Pride's proposal over Coterra's proposal. In sum, five of the seven factors weigh in favor of Pride, and only one in favor of Coterra. Perhaps most importantly, only Pride's proposal satisfies the Division's duty to prevent waste. Pride's application should therefore be approved, and Coterra's application denied.

Allocation of Revenue Among Interest Owners:

Pride's proposed allocation complies with the requirements of Section 70-2-17(C) to allocate production based on surface acreage. *Id.* ("For the purpose of determining the portions of production owned by the persons owning interests in the pooled oil or gas, or both, such production shall be allocated to the respective tracts within the unit in the proportion that the number of surface acres included within each tract bears to the number of surface acres included in the entire unit."). The parties have stipulated that the Third Bone Spring and the Wolfcamp A Shale will contribute equally to production, with 50% attributed to the Third Bone Spring and 50% attributed to the Wolfcamp A Shale. Based on this agreement, Pride determined that it has 50% of the total 80-acre Tract 3, *i.e.*, 40 acres, and that Coterra also has 50% of the total 80-acre Tract 3, *i.e.*, 40 acres. Thus, in the proposed 320-acre HSU, Pride has a 40-acre interest and Coterra has a 132-acre interest. Based on surface acreage, Pride's ownership interest in the proposed unit is 12.5%, and Coterra's ownership interest is 41.25%.

PROPOSED EVIDENCE**APPLICANT:**

WITNESSES	EXHIBITS
Landman Matthew Pride	5-6
Geologist Harvin Broughton	5-6
Engineer Will Gifford	2-3

PROCEDURAL MATTERS

These cases are set for a contested hearing on the January 27, 2026 trailing docket.

Respectfully submitted,

SPENCER FANE LLP

By: /s/Sharon T. Shaheen

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CERTIFICATE OF SERVICE

I hereby certify that true and correct copies of the foregoing and Pride's related exhibit package were served on the following counsel of record, by electronic mail on January 20, 2026.

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QUESTIONS

Action 544907

QUESTIONS

Operator: PRIDE ENERGY COMPANY P.O. Box 701950 Tulsa, OK 741701950	OGRID: 151323
	Action Number: 544907
	Action Type: [HEAR] Prehearing Statement (PREHEARING)

QUESTIONS**Testimony**

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

Number of witnesses	3
Testimony time (in minutes)	<i>Not answered.</i>