

1 STATE OF NEW MEXICO
2 ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
3 OIL CONSERVATION DIVISION

4 IN THE MATTER OF THE HEARING CALLED
5 BY THE OIL CONSERVATION DIVISION FOR
6 THE PURPOSE OF CONSIDERING:

7 APPLICATION OF MEWBOURNE OIL COMPANY CASE NOS. 20298,
8 FOR COMPULSORY POOLING, LEA COUNTY, 20328
9 NEW MEXICO. 20329

10 REPORTER'S TRANSCRIPT OF PROCEEDINGS

11 EXAMINER HEARING

12 CATENA RESOURCES OPERATING, LLC'S EMERGENCY MOTION TO
13 SUSPEND DRILLING PERMIT ON ACREAGE THAT IS THE SUBJECT
14 OF COMPETING WELL PROPOSALS PENDING BEFORE THE DIVISION

15 April 4, 2019

16 Santa Fe, New Mexico

17 BEFORE: MICHAEL McMILLAN, CHIEF EXAMINER
18 TERRY WARNELL, TECHNICAL EXAMINER
19 WILLIAM V. JONES, TECHNICAL EXAMINER
20 DAVID K. BROOKS, LEGAL EXAMINER

21 This matter came on for hearing before the
22 New Mexico Oil Conservation Division, Michael McMillan,
23 Chief Examiner; Terry Warnell and William V. Jones,
24 Technical Examiners; and David K. Brooks, Legal
25 Examiner, on Thursday, April 4, 2019, at the New Mexico
 Energy, Minerals and Natural Resources Department,
 Wendell Chino Building, 1220 South St. Francis Drive,
 Porter Hall, Room 102, Santa Fe, New Mexico.

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22 EXHIBITS OFFERED AND ADMITTED

23 (No Exhibits. See Attachments.)

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1

2 (8:22 a.m.)

3 MS. SHAHEEN: Yes. We have an emergency
4 motion to suspend Mewbourne's drilling permits in the
5 area that is subject to the competing applications and
6 development plans that the two parties have.

7 EXAMINER JONES: At this point we can hear
8 the oral arguments. Do you want to come up?

9 Or, Mr. Bruce, go ahead.

10 MR. BRUCE: Well, it's her motion.

11 MS. SHAHEEN: I have my client here as well
12 if there is any need for them.

13 EXAMINER JONES: I think we're going to
14 hear arguments from the attorneys about the motions.

15 EXAMINER McMILLAN: Hold on. David Brooks
16 just stepped out.

17 EXAMINER BROOKS: I'll step back in.

18 MS. SHAHEEN: I brought copies of the
19 filings if it would be helpful.

20 EXAMINER McMILLAN: Oh. We're not doing
21 anything until David Brooks comes back because it's a
22 purely legal matter.

23 MS. SHAHEEN: Well, that's good because
24 that will give me time to get ready.

25 Mr. Hearing Examiner, would it be helpful

1 for me to provide everyone with copies of the filings?
2 I have copies of our emergency motion, as well as copies
3 of the responses -- the two responses that were filed.

4 (Examiner Brooks present, 8:23 a.m.)

5 EXAMINER BROOKS: Yes. It would probably
6 be helpful. Yes.

7 This is scheduling correspondence, right?

8 MS. SHAHEEN: This is an emergency motion
9 to suspend Mewbourne's APDs.

10 EXAMINER BROOKS: Okay. Well, you're the
11 Movant, right?

12 MS. SHAHEEN: Yes.

13 EXAMINER BROOKS: Well, do you want to make
14 an opening statement?

15 MS. SHAHEEN: Yes.

16 I'm Sharon Shaheen on behalf of Catena
17 Resources Operating, LLC, here on an emergency motion to
18 suspend drilling permit on acreage that is the subject
19 to competing well proposals pending before the Division.

20 EXAMINER BROOKS: You said suspend, not
21 extend?

22 MS. SHAHEEN: Correct, suspend.

23 It might be helpful for me to just briefly
24 talk about what the competing proposals consist of.
25 We're talking about Township 19 South, Range 35 East.

1 Catena's pending applications include four -- excuse
2 me -- two Cable wells and two Anchor wells. They cover
3 acreage that includes Sections 16, 21, 28 and 33.
4 Mewbourne's competing proposals are in Sections 21 and
5 28 only. There are case numbers for those wells, 20298,
6 20328 and 20329. The 20298 is in the east half of the
7 west half of Sections 21 and 28. 20329 is in the west
8 half of the east half of Sections 21 and 28, and 20328
9 is in the east half of the east half of Sections 21 and
10 28.

11 So our motion is very straightforward.
12 These cases are set to be heard on the May 2nd docket on
13 May 3rd. The parties agreed to after a motion for
14 continuance was heard. Nonetheless, this week Mewbourne
15 had a rig on the ground ready to drill the well that is
16 the subject of Case Number 20298, which Catena opposes.
17 The drilling of that well will interfere with Catena's
18 development plans for all four sections, Sections 16,
19 21, 28 and 33. And Mewbourne has provided no reason
20 that they cannot wait until May the 3rd when these cases
21 will be heard and the Division can make a determination
22 as to which proposals are best for -- to protect
23 correlative rights and prevent waste and have less
24 impact on the environment. We don't see a reason why we
25 can't wait until we have our hearing on May 3rd. We can

1 present all our evidence and have our witnesses here,
2 and the Division can make a decision at that time.

3 So that's how simple the motion is. We
4 think their permits should be suspended. They should be
5 precluded from drilling a well that has opposition and
6 will be heard in less than a month.

7 I can walk through the responses filed by
8 Mewbourne and address what their points are. I can do
9 that now, or I can do that after Mr. Bruce responds.

10 EXAMINER BROOKS: Well, I'm looking at
11 Exhibit A, which I take it is the real picture in this
12 case. And Catena proposes to drill the Cable well in
13 the west half of the east half of 21 and 28 and also 16
14 because nobody else is drilling anything else in 16.
15 Now -- then they propose -- Cable proposes to drill
16 the -- okay. I need to back up here.

17 Catena is the Movant?

18 MS. SHAHEEN: That's right. Catena
19 proposes to drill the first Cable well -- and I kind of
20 have to look at my map -- the first Cable well in the
21 west half of 16 and 21. They propose to drill the
22 second Cable well in the east half of Sections 16 and
23 21.

24 EXAMINER BROOKS: The east --

25 EXAMINER WARNELL: West half of the east

1 half.

2 EXAMINER BROOKS: It's -- the -- the #2H is
3 going to be -- well, they're both 2H. They do that all
4 the time now. It's very confusing.

5 The Cable well -- there is a Cable well
6 going to be drilled in 16, 21 and 28. It's going to be
7 in the west half of the east half. And then there's
8 going to be a Cable well drilled in the west half -- in
9 the east half of the east half of 27 and 34, and it goes
10 a little way up into 21. I don't know if it's going to
11 be perfed in 21. That's the way I read this map.
12 Right?

13 MS. SHAHEEN: This is a Mewbourne map, and
14 I haven't studied it.

15 EXAMINER McMILLAN: It looks like to me
16 that 16 is the west -- west half-east half of 16 and 21.
17 The well that's labeled the 28 is the southwest quarter
18 of southeast quarter of Section 21 -- I'm sorry -- the
19 east --

20 EXAMINER BROOKS: East half of the east
21 half.

22 EXAMINER McMILLAN: No. If you look at the
23 well -- I'm just calling it the 28, is the southeast
24 quarter of the southeast quarter of 21, the east
25 half-east half of 27 and the east half-east half of 34.

1 The easiest way to figure out these is to go by the name
2 of 16 and 28, since you called them both the 2H.

3 EXAMINER BROOKS: Well, that's what I
4 started calling them, and then I realized they're both
5 the 2H.

6 EXAMINER McMILLAN: Yeah. But one of them
7 has the name of "16" in it, and the other one has the
8 unique name of "28" in it.

9 EXAMINER BROOKS: Okay. Well, anyway, the
10 situation here is that Mewbourne plans to proceed ahead
11 with their wells, and you want to stop them, right?

12 MS. SHAHEEN: That's correct.

13 EXAMINER BROOKS: Mewbourne has a permit?

14 MS. SHAHEEN: That's correct.

15 EXAMINER BROOKS: And which wells is
16 Mewbourne planning to drill right away?

17 MS. SHAHEEN: My understanding from their
18 response is that they're planning to drill the well that
19 is the subject of 20298, which is the B2CN, which I
20 believe is -- may also be known as the B2NC. There's
21 been some changes in the name and direction of the
22 wells, and I'll confess I'm not competent that I
23 understand the details of those changes. But if you
24 take a look at Mewbourne's response to the 20298 case,
25 you'll see that in paragraph one, they point out that

1 they're seeking an order in 20298 for the B2CN #1H. And
2 in paragraph six, they point out that they plan to spud
3 that well yesterday.

4 EXAMINER BROOKS: That is -- where is that
5 well located?

6 MS. SHAHEEN: That well is in the east half
7 of the west half of Sections 21 and 28. And Mr. Bruce
8 will correct me if I'm wrong. That's my understanding.

9 EXAMINER BROOKS: Okay. Is she correct,
10 Mr. Bruce?

11 MR. BRUCE: East half-west half of 21 and
12 28, correct.

13 EXAMINER BROOKS: And that's the one you
14 plan to drill forthwith?

15 MR. BRUCE: Yes.

16 EXAMINER BROOKS: And you don't want to be
17 interfered with?

18 MR. BRUCE: No.

19 EXAMINER BROOKS: Okay.

20 You have a permit?

21 MR. BRUCE: Absolutely.

22 EXAMINER BROOKS: What's the land type
23 here?

24 MR. BRUCE: I think it's state and fee --
25 state and fee land.

1 EXAMINER BROOKS: So the permit is ours?

2 MR. BRUCE: Right. It's the Division's.

3 EXAMINER BROOKS: Okay. Very good.

4 You may proceed with your motion.

5 MS. SHAHEEN: With respect to Mewbourne's
6 response in Case 20298, paragraph three, they state that
7 they own 100 percent of the working interest in the west
8 half-west half of Sections 21 and 28, which is not
9 subject to a pending pooling case. However, in Catena's
10 view, that is not correct because the Anchor well and
11 the Cable well that are in Section 21 -- in the west
12 half of Sections 21 and 28 each seek a 640-acre unit.
13 And so in our view, those are pending pooling cases that
14 relate to the west half-west half of Sections 21 and 28.

15 EXAMINER BROOKS: So if they are pending
16 pooling cases, there should be a case number.

17 MS. SHAHEEN: They haven't been noticed
18 yet, so there is no case number. They are set for that
19 May 3rd -- to be heard on the May 3rd hearing. All of
20 the pending proposals by Mewbourne and Catena are set to
21 be heard on May 3rd. And all Catena is asking for is
22 that those APDs be suspended until they are heard and
23 decided.

24 EXAMINER BROOKS: Okay. Well, I guess I
25 should have -- let's see.

1 Jim, you're the one who is asking for --

2 MR. BRUCE: Mewbourne just wants to be left
3 alone.

4 EXAMINER BROOKS: Okay.

5 You're the one who is asking for an order
6 preventing the spudding of these wells?

7 MS. SHAHEEN: That's correct.

8 EXAMINER BROOKS: Okay. What's your
9 irreparable injury?

10 MS. SHAHEEN: Irreparable injury is that it
11 will interfere with our development plan and pending
12 proposal. And it predetermines -- in effect what it
13 does is it almost forces the hand of the Division when
14 it gets to the hearing on May the 3rd. They'll just
15 be -- they'll -- they're predetermining that decision
16 and, in effect, circumventing the authority,
17 circumventing the process of what the parties have
18 agreed to and what the Division has decided, that these
19 competing proposals should be heard on May 3rd, yet
20 Mewbourne wants to go ahead and drill the well and
21 somehow force the decision of the Division in that
22 regard.

23 EXAMINER BROOKS: Mr. Bruce, are these --
24 which wells do you plan to drill?

25 MR. BRUCE: Well, the first well is the

1 well in the east half-west half of Sections 21 and 28.
2 The wells in Cases 20328 and 20329 are in the -- are
3 both in the east half of Sections 21 and 28. One well
4 is the east half-east half. One is the east half-west
5 half of those two sections.

6 EXAMINER BROOKS: And you have full or
7 partial ownership of every tract in each of those
8 sections? I mean, Mewbourne does?

9 MR. BRUCE: Mewbourne owns interest in
10 every tract.

11 MS. SHAHEEN: And if I may?

12 EXAMINER BROOKS: Go ahead.

13 MS. SHAHEEN: That is disputed with respect
14 to the east half of Sections 21 and 28. It's Catena's
15 position that they have 100 percent interest in the east
16 half of Sections 21 and 28.

17 EXAMINER BROOKS: East half?

18 MS. SHAHEEN: Yes. And that goes to the
19 20329 and the 20328 cases. And we've asked them to
20 withdraw their APDs with respect to those wells for that
21 very reason.

22 EXAMINER BROOKS: So then they have a
23 title -- there is a title dispute?

24 MS. SHAHEEN: Apparently. I learned
25 recently that Mewbourne is contesting Catena's position

1 that it has 100 percent of the interest in the east
2 half.

3 EXAMINER BROOKS: Would you like to speak
4 to that, Mr. Bruce?

5 MR. BRUCE: Mewbourne -- well, let her
6 finish arguing. I don't want my argument disjointed.
7 I'll tell you what the situation is.

8 EXAMINER BROOKS: Okay. I'm sorry.
9 You may proceed.

10 MS. SHAHEEN: Moving on, in paragraph four,
11 I'm not quite sure what Mewbourne is stating. We are a
12 party of record in the proceeding, 20298, which concerns
13 the B2CN State Com well. So I'm not sure what their --
14 what their point is here.

15 Paragraph five, Mewbourne points out its
16 ownership interest is in Section 21.

17 Paragraph six, we've already discussed.
18 Mewbourne plans to have spud the well yesterday.

19 EXAMINER WARNELL: Wait a minute.
20 Paragraph five points out what?

21 MS. SHAHEEN: Paragraph five points out
22 Mewbourne's ownership interest in Sections -- in the
23 east half-west half of Sections 21 and 28 -- the east
24 half of the west half of Sections 21 and 28.

25 And this is the point that I think is

1 important, and that is these issues are the issues that
2 the Division should be hearing evidence on and hearing
3 from witnesses on May the 3rd. These are not issues to
4 be determined today. And it feels like Mewbourne, by
5 pushing -- by drilling its wells, is trying to force the
6 issue to be heard today, which is why we simply ask that
7 the drilling permits be suspended until the Division
8 actually hears the competing proposal.

9 Paragraph six, Mewbourne points out that
10 Catena has known about Mewbourne's drilling plan since
11 February 2019. I don't think that's relevant. It's not
12 a last-minute attempt. February was a little more than
13 a month ago. The parties have been negotiating.
14 However, in Catena's opinion, Mewbourne has not been
15 negotiating in good faith. They supposedly agreed to
16 have this heard May 3rd, yet, without notifying Catena,
17 have brought a rig and plan to spud a well that is at
18 issue.

19 In paragraph seven, they talk about a
20 farm-out with a term deadline, but they don't tell us
21 what the term deadline is. We have no idea what their
22 deadlines are, and I suspect, since they haven't told us
23 what they are, that maybe they're not that imminent.

24 Paragraph eight, Catena has not proposed
25 Bone Spring wells in the west half of Sections 21 or the

1 west half of 28. I think that is true. However, we do
2 have plans to propose those wells that fully develop --
3 Catena has plans to fully develop four sections with 24
4 wells, and we'll be presenting that at the May 2nd
5 hearing -- that development plan at the May 2nd hearing.

6 Paragraph nine, Mewbourne has been working
7 on this prospect since January 2018. Well, my
8 understanding -- and my client's here to testify if he
9 needs to -- Catena has been working on this -- on this
10 prospect since February, March of 2018. I don't think
11 there is much of a difference there. Both parties have
12 obviously been working diligently on this prospect.
13 Again, this is an issue that should be addressed at the
14 May 3rd hearing.

15 Paragraph ten, they talk about our claim
16 that Section 33 will be stranded. Our point is that we
17 can more economically, more efficiently and in a better
18 way for the environment develop those four sections as
19 one full development plan as opposed to having Section
20 33 stranded and not being able to include that in the
21 full development plan.

22 Paragraph 11, "Catena delayed seeking
23 suspension of valid permits until a rig was on
24 location." Here, again, we were negotiating in good
25 faith with Mewbourne. Apparently Mewbourne was not

1 negotiating in good faith with Catena. We had no idea
2 that they would be spudding the well before the date of
3 the hearing that they had agreed to.

4 Going on to their second response, which is
5 20328 and 20329, if I can find it here in my papers,
6 paragraph two, "Catena knew or should have known about
7 Mewbourne's planned development when they purchased
8 their interest in December 2018." We actually entered
9 into a purchase and sale agreement in September of 2018.
10 I'm not sure what their point is here, but, again,
11 that's an issue that should be heard on May 2nd.

12 Paragraph three, "Mewbourne owns interest
13 in each tract each wellbore will traverse." Again,
14 that's in dispute.

15 Four, "Mewbourne -- all Division rules and
16 finally APD." We dispute that as well. We believe we
17 have 100 percent interest in the east half.

18 "Mewbourne has term assignments that could
19 be severely affected." This, similar to the farm-out
20 agreement. What does that mean? We don't know what
21 those term assignments state. We don't know when they
22 could be severely affected.

23 Number 6, "Catena does not own an interest
24 in each tract their proposed wellbores traverse."
25 Again, this is an issue for May 2nd. I am not sure

1 about the details here, and my client could probably
2 provide some insight if you need it today.

3 "Mewbourne has been working on this
4 prospect since 2018 and ready to move forward," in
5 paragraph seven. We can say the same for Catena.

6 Paragraph eight, "Their APDs were filed
7 before we acquired our interest in Section 33." That --
8 I'm not sure about that. I believe -- I'm not sure
9 about the details on that. But I'm -- I'm certain that
10 Catena was in the process of acquiring its interest in
11 Section 32. 33, prior to the time their APDs were
12 filed.

13 Again, they talk about stranding the
14 acreage in Section 33 and that we can develop Section 33
15 with one-mile laterals. And, again, that's an issue for
16 the May 2nd hearing. Our position is that it would be
17 more economic, more efficient and better for the
18 environment to develop the way we've proposed. And we
19 believe any decision on that -- any drilling should be
20 delayed until the Division has had the opportunity to
21 hear the parties on May 3rd.

22 With that, I have nothing further, unless I
23 need to respond to something new that Mr. Bruce brings
24 up.

25 EXAMINER BROOKS: Very good.

1 Mr. Bruce.

2 MR. BRUCE: Examiners, if you look at
3 Mewbourne's response for the first case, 20298, turn to
4 the back to the -- first to Exhibit A. There are four
5 exhibits attached, A through D.

6 EXAMINER BROOKS: Well, I have an Exhibit A
7 and Exhibit D.

8 MR. BRUCE: I filed two responses, one
9 regarding the west half and one regarding the east half.
10 You're looking at the east half. There's a separate
11 response --

12 EXAMINER McMILLAN: Oh, okay.

13 MR. BRUCE: -- for the west half.

14 EXAMINER BROOKS: Oh, this is two. They're
15 both here.

16 MR. BRUCE: Do you have those,
17 Mr. McMillan?

18 EXAMINER McMILLAN: I have this one,
19 response for 20298.

20 MR. BRUCE: Yeah. Yes. But if you turn to
21 Exhibit A --

22 EXAMINER BROOKS: Okay.

23 MR. BRUCE: And I'll give you something a
24 little more readable.

25 MS. SHAHEEN: Oh, that is more readable.

1 MR. BRUCE: That shows Mewbourne's
2 ownership in Sections 21 and 28. The green indicates
3 100 percent working interest ownership. So in the west
4 half-west half, Mewbourne owns 100 percent and does not
5 need to force pool.

6 EXAMINER BROOKS: In what do they own 100
7 percent?

8 MR. BRUCE: The green.

9 EXAMINER BROOKS: The green.

10 Okay. And they are claiming partial
11 ownership in the --

12 MR. BRUCE: In the white acreage, they own
13 partial ownership, and my clients have informed me there
14 is no title dispute. They own an interest in every
15 quarter-quarter section in both sections, 21 and 28. So
16 they are allowed under Division rules and procedures to
17 file APDs.

18 Now, you'll see at the top of Section 21 --
19 you can see the three cases are mentioned. So Case
20 20298, that's the east half-west half. And as stated in
21 the motion, Mewbourne has been working out here on this
22 since January 2018, so a year and a quarter. And
23 Ms. Shaheen says Mewbourne's plans will result in
24 Catena's development plans being impaired. Well,
25 they're trying to impair Mewbourne's development plans

1 that they've been working on for well over a year.

2 And they say there is no reason for
3 waiting. I don't have an exact date, but Mewbourne has
4 a farm-out from Chevron, 3,000 gross acres, more than
5 what's on this plat here, that they have to complete
6 their first well by this summer. Now, if we go to
7 hearings, you get an order out. Month or two later,
8 there are appeals. They're in danger of losing their
9 farm-out from Chevron. That is the impairment of their
10 rights.

11 But another thing, when you look at Exhibit
12 A, just looking at the west half, just concentrating on
13 the west half, Mewbourne's proposals are to drill Bone
14 Spring wells. The only proposals that Mewbourne has
15 received from Catena in the west half are for Wolfcamp
16 wells. So Mewbourne has Wolfcamp pending -- I mean Bone
17 Spring applications pending. Catena apparently just
18 filed Wolfcamp applications. They're not competing
19 applications. Mewbourne is seeking to drill Bone Spring
20 wells, and Catena has no competing proposal.

21 Now, if you go to Exhibit D, the yellow
22 acreage is Sections 21 and 28, and Mewbourne's
23 drilling two-mile -- proposing to drill two-mile wells
24 also.

25 Catena wants to take its acreage in Section

1 16 and drill down into Mewbourne's acreage and then take
2 its acreage in Section 33 and drill up into Section 28.
3 Looking at this map, they have other options. They
4 don't have to interfere with Mewbourne's drilling plans.
5 They've got acreage in Section 16. Two weeks ago when
6 there was a motion to continuance, they presented a plat
7 showing they have acreage in Section 9 also. Why aren't
8 they drilling Section 16 and Section 9 rather than
9 interfering with Mewbourne's drilling plans in 21 and
10 28?

11 As to Section 33 just to the south, look at
12 all the wells either drilled or permitted in the Bone
13 Spring in these several townships. Over 80 percent of
14 those wells are one-mile laterals. There is no need to
15 interfere with Mewbourne's Bone Spring drilling plans
16 when they've got other options. One is to drill mile
17 laterals. The other is to seek to join other acreage in
18 their wells rather than invading Mewbourne's plan for
19 development in Sections 21 and 28.

20 And, again, Mewbourne owns interest in
21 every quarter-quarter section. It was entitled to file
22 those APDs. They own -- if you look at the big map I
23 gave you, Mewbourne owns a majority of every well unit.
24 Looking at the west half of these sections, they own 100
25 percent in the west half-west half. They own 90 percent

1 in the east half-west half. They're entitled to drill
2 these wells.

3 The comment was made that they were not
4 notified of Mewbourne's plans. Mewbourne told them four
5 weeks ago they intended to commence a well right around
6 the end of March, early April, its first well. They
7 waited four weeks before filing this motion, roughly,
8 and Mewbourne has incurred costs. They have commenced
9 the well in the east half-west half, and they're
10 entitled to do that. But they have incurred costs to
11 date of about \$500,000. And, again, that's just the
12 beginning of the costs. What about the farm-out from
13 Chevron? What about other costs? What about moving the
14 rig off?

15 There was recently a virtually identical
16 motion, a fight between Murchison, represented by
17 Mr. Larson, and OXY, represented by Mr. Feldewert, very
18 similar facts. Murchison had a half section of land.
19 It had permitted wells, and it was going to drill. OXY
20 had different plans, and it sought to suspend the API
21 numbers -- rescind the API numbers so that Murchison
22 couldn't drill. That's Case 20410.

23 EXAMINER BROOKS: That's on federal land,
24 right?

25 MR. BRUCE: That was on federal land.

1 EXAMINER BROOKS: So the APDs have been
2 issued by the BLM?

3 MR. BRUCE: Correct.

4 EXAMINER BROOKS: Okay. Go ahead.

5 MR. BRUCE: But Order R-20430 denied OXY's
6 motion and allowed Murchison to move forward with the
7 drilling of its wells, virtually identical facts.

8 Mewbourne should not be prevented from
9 drilling wells on land in which it owns an interest
10 which it has been seeking to develop for a year and a
11 quarter. And Catena acquires acreage, and rather than
12 looking at other options drilling further to the north
13 and further to the south, it tries to invade Mewbourne's
14 acreage in Sections 21 and 28 and interfere with its
15 drilling plans.

16 Again, Catena was told a month ago of
17 Mewbourne's drilling plans. Mewbourne had a valid
18 permit. It has commenced the well under that acreage,
19 the east half-west half of Sections 21 and 28. In the
20 west half-west half of Section 29, they're trying to
21 prevent Mewbourne from drilling on acreage in which it
22 owns 100 percent interest, a two-mile permit in which it
23 owns 100 percent interest. That's not proper, and I
24 think you're setting a bad precedent if you allow Catena
25 to invade this acreage and interfere with well-developed

1 plans. They're talking about two-mile laterals; they
2 want to drill two-mile laterals. Well, so does
3 Mewbourne, and that's what Mewbourne has, two-mile
4 laterals. They're taking care of their acreage. Catena
5 has other options. They should pursue those.

6 EXAMINER BROOKS: Okay. Are you through?

7 MR. BRUCE: Yes.

8 EXAMINER BROOKS: Now, would you reiterate
9 for us again what acreage -- what acreage Mewbourne -- I
10 mean Catena owns in these proposed wells -- project
11 areas or horizontal spacing units?

12 MS. SHAHEEN: I can reiterate what I
13 recall. My understanding is that -- looking at
14 Mewbourne's Exhibit A, Mewbourne does own the interests
15 that are represented in the west half of Sections 21 and
16 28. My understanding is that in the white section
17 there, in the east half of the west half, they own
18 approximately 60 percent, and I'm not sure if we own the
19 remaining 40 percent or not.

20 Again, most -- most of what Mr. Bruce
21 points out today raises questions of fact, and those
22 questions of fact should be heard on May the 3rd, and
23 that's why the drilling permits should be suspended
24 until the Division hears on May the 3rd.

25 With respect to the east half of the east

1 half, we dispute their ownership in the east half of the
2 east half. There is a title dispute. I'm not aware of
3 what the details are, but we believe that Mewbourne does
4 not have the interests required to even seek an APD,
5 much less drill under an APD.

6 EXAMINER BROOKS: On which acreage?

7 MS. SHAHEEN: On the east half of the east
8 half of Sections -- sorry. On the east half of Sections
9 21 and 28.

10 So that -- that answers your question, and
11 I would like to make a little more statement -- more of
12 a statement, but if you have questions, I'll answer
13 those first.

14 EXAMINER BROOKS: Go ahead. Make your
15 statement.

16 MS. SHAHEEN: Well, I guess I already made
17 it, which is there are a lot of facts here that need to
18 be addressed at hearing with witnesses and other
19 documentary evidence on May the 3rd, and that's --
20 that's a very good reason.

21 I'm not setting precedent here, which
22 Mewbourne appears to be asking the Division to set,
23 which is when you have competing well proposals --

24 EXAMINER JONES: I have a quick question,
25 Mr. Brooks.

1 The east half-east half and the west
2 half-east half, your motion, does it include all three
3 cases of Mewbourne's? Is it on all three wells of
4 Mewbourne's or -- actually, Mewbourne has, looks like,
5 four wells here.

6 MS. SHAHEEN: It's for all of those wells
7 because we don't believe --

8 EXAMINER JONES: All the wells in the three
9 cases?

10 MS. SHAHEEN: That's right. Any well that
11 Mewbourne proposes to drill now, we think that permit
12 should be suspended.

13 EXAMINER JONES: Except for the one in the
14 west half of the west half?

15 MS. SHAHEEN: We think even that one should
16 be suspended.

17 EXAMINER JONES: Even that one?

18 MS. SHAHEEN: Uh-huh.

19 EXAMINER JONES: That one is -- do you
20 dispute it's 100 percent owned by Mewbourne?

21 MS. SHAHEEN: We don't dispute it's 100
22 percent owned by Mewbourne, but we dispute that -- we
23 believe it interferes with our competing proposals.

24 EXAMINER BROOKS: And your competing
25 proposals have been filed, right?

1 MS. SHAHEEN: There have been four that
2 have been filed. Yes.

3 EXAMINER JONES: Yesterday; is that
4 correct?

5 MS. SHAHEEN: The Anchor wells were
6 filed -- let me see if I can tell you that. The Anchor
7 wells were filed a couple of weeks ago or so, and the
8 Cable wells were filed on Monday -- this past Monday.

9 EXAMINER JONES: Okay. So they're all
10 going to be ready to go?

11 MS. SHAHEEN: They're ready. The four
12 wells are prepared to go.

13 EXAMINER JONES: Okay. Which well is being
14 spud at this time?

15 MR. BRUCE: The east half-west half.

16 EXAMINER JONES: Okay. Thank you.

17 Go ahead.

18 EXAMINER BROOKS: Okay. Is everybody
19 through?

20 MR. BRUCE: Yes.

21 MS. SHAHEEN: I was just going to say that
22 Mewbourne is asking you to set a precedent that when
23 there is a competing well proposal, the first person who
24 can put a hole in the ground will win, and we don't
25 think that is a good precedent to be setting either.

1 MR. BRUCE: Again, as to the west half at
2 least -- the west half of Sections 21 and 28, there are
3 not competing well proposals. Mewbourne's drilling Bone
4 Spring wells. They only have Wolfcamp proposals. Why
5 should we be prevented from drilling a Bone Spring well
6 when they don't have a Bone Spring proposal?

7 EXAMINER BROOKS: What is your response to
8 that?

9 MS. SHAHEEN: My response to that is these
10 four wells -- we have two Bone Spring wells processed in
11 the east half, and we have two Wolfcamp wells proposed
12 in the west half. That's the initial phase of our
13 development plan, which we will be presenting in full on
14 May the 3rd.

15 EXAMINER BROOKS: Well, normally -- pooling
16 different formations is normally considered a different
17 action.

18 MR. BRUCE: And if those east-half wells of
19 Catena's -- the east-half wells are Bone Spring wells,
20 well, let that go to the hearing. That's fine.
21 Mewbourne would be willing to hold off on drilling
22 those. But in the west half, there are no competing
23 proposals. Why should it be prevented from drilling?

24 EXAMINER BROOKS: Go ahead.

25 MS. SHAHEEN: The parties have already

1 agreed that all of these applications would be heard on
2 May 3rd.

3 MR. BRUCE: Well, I didn't agree on behalf
4 of Mewbourne. It was the decision of the Division to
5 continue the hearing. Mewbourne opposed that.

6 EXAMINER JONES: But for the record, the
7 east half-west half case is 20298?

8 MR. BRUCE: Correct.

9 EXAMINER BROOKS: Well, we need to discuss
10 this. The examiners need to discuss this, so we're
11 going to take a 15-minute recess.

12 MS. SHAHEEN: Thank you.

13 (Recess, 9:04 a.m. to 9:16 a.m.)

14 EXAMINER McMILLAN: I'd like to call this
15 hearing back to order.

16 Go ahead.

17 EXAMINER JONES: Okay. What we heard is an
18 agreement from Mewbourne that there would be no wells
19 drilled on the east half until the matter is settled; is
20 that correct?

21 MR. BRUCE: We're willing to do that. Yes.

22 EXAMINER JONES: Okay. Then we're going
23 deny the motion to stay and complete with the provision
24 there is no drilling in the east half.

25 MR. BRUCE: Okay.

1 EXAMINER BROOKS: I will state that nothing
2 I do is precedent because I don't have the authority to
3 set precedence. These are decisions for the director,
4 but since it's an emergency motion, I have to rule on
5 it -- or I have to advise the other examiners to rule on
6 it. So I think that this is something that the Division
7 as an entity should make a decision as to how -- when we
8 want to get into this business and by what procedures
9 we're going to use.

10 EXAMINER JONES: And as far as the cases,
11 the three Mewbourne cases and the -- is it three or four
12 Catena cases that are going to be --

13 MS. SHAHEEN: Four applications for Catena,
14 three from Mewbourne.

15 EXAMINER JONES: Okay. And they're all --
16 Terry, are we in agreement they're going to be held on
17 May the 3rd?

18 MR. BRUCE: Everybody agreed.

19 EXAMINER WARNELL: Right, it's the second
20 day of --

21 MS. SHAHEEN: Can I clarify so -- can I
22 just clarify? You're allowing them to drill the well
23 that is the subject of 20298?

24 EXAMINER JONES: 20298, yes, the Bone
25 Spring well.

1 MS. SHAHEEN: In the east half of the west
2 half where they do not --

3 EXAMINER JONES: East half of the west
4 half.

5 MS. SHAHEEN: -- where they do not have 100
6 percent ownership?

7 EXAMINER BROOKS: Do not have 100 percent
8 ownership or -- I don't know who has what, from what I
9 heard this morning, but they do have ownership of some
10 working interest in every tract.

11 EXAMINER JONES: They represented that to
12 the Division to get the permit to drill, and it was
13 issued by a district office. So if they did that in
14 error, then it could be something else that you could --

15 EXAMINER BROOKS: Well, it would have to be
16 something that would be decided by a court. We don't
17 have jurisdiction to decide the title issues. So I
18 think that's all we need to do this morning.

19 MS. SHAHEEN: Thank you.

20 EXAMINER BROOKS: Thank you.

21 (Case Numbers 20298, 20328 and 20329
22 conclude, 9:20 a.m.)

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1 STATE OF NEW MEXICO
2 COUNTY OF BERNALILLO

3

4 CERTIFICATE OF COURT REPORTER

5 I, MARY C. HANKINS, Certified Court
6 Reporter, New Mexico Certified Court Reporter No. 20,
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20 DATED THIS 24th day of April 2019.

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