

**BEFORE THE OIL CONSERVATION DIVISION
EXAMINER HEARING SEPTEMBER 24, 2020**

CASE NO. 21356

BALL 183529 2H WELL

LEA COUNTY, NEW MEXICO



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

**APPLICATION OF CATENA RESOURCES
OPERATING, LLC FOR COMPULSORY
POOLING, LEA COUNTY, NEW MEXICO**

CASE NO. 21356

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COMPULSORY POOLING APPLICATION CHECKLIST

ALL INFORMATION IN THE APPLICATION MUST BE SUPPORTED BY SIGNED AFFIDAVITS

| Case: 21356 | APPLICANT'S RESPONSE |
|--|--|
| Date: September 24, 2020 | |
| Applicant | Catena Resources Operating, LLC |
| Designated Operator & OGRID (affiliation if applicable) | Catena Resources Operating, LLC (OGRID No. 328449) |
| Applicant's Counsel: | Holland & Hart LLP |
| Case Title: | APPLICATION OF CATENA RESOURCES OPERATING, LLC FOR COMPULSORY POOLING, LEA COUNTY, NEW MEXICO. |
| Entries of Appearance/Intervenors: | Marathon Oil Permian, LLC |
| Well Family | Ball 183529 2H |
| Formation/Pool | |
| Formation Name(s) or Vertical Extent: | Bone Spring Formation |
| Primary Product (Oil or Gas): | Oil |
| Pooling this vertical extent: | Bone Spring Formation |
| Pool Name and Pool Code: | Scharb; Bone Spring (55610) |
| Well Location Setback Rules: | Statewide horizontal oil well rules |
| Spacing Unit Size: | 640-acres, more or less |
| Spacing Unit | |
| Type (Horizontal/Vertical) | Horizontal well spacing unit |
| Size (Acres) | 640 acres, more or less |
| Building Blocks: | quarter-quarter sections |
| Orientation: | South to North |
| Description: TRS/County | E/2 of Sections 20 and 29, T-18-S, R-35-E, NMPM, Lea County, New Mexico. |
| Standard Horizontal Well Spacing Unit (Y/N), If No, describe | Yes |
| Other Situations | |
| Depth Severance: Y/N. If yes, description | None |
| Proximity Tracts: If yes, description | W/2 E/2 Sections 20 and 29 |
| Proximity Defining Well: if yes, description | Ball 183529 2H |
| Applicant's Ownership in Each Tract | Exhibit A-3 |
| Well(s) | |
| Name & API (if assigned), surface and bottom hole location, footages, completion target, orientation, completion status (standard or non-standard) | Add wells as needed |
| Well #1 | Ball 183529 2H (API # Pending) SHL: 190' FNL & 1350' FEL (Unit B), Sec. 32, T18S, R35E BHL: 100' FNL & 1250' FEL (Unit A), Sec. 20, T18S, R35E Completion target: Bone Spring Well orientation: South to North Completion location: expected to be standard |
| Horizontal Well First and Last Take Points | See Exhibit A-1 |
| Completion Target (Formation, TVD and MD) | See Exhibit B |
| AFE Capex and Operating Costs | |
| Drilling Supervision/Month \$ | \$8,000 |
| Production Supervision/Month \$ | \$800 |
| Justification for Supervision Costs | See Exhibit A |

| | |
|--|--|
| Requested Risk Charge | 200% |
| Notice of Hearing | |
| Proposed Notice of Hearing | Exhibit C |
| Proof of Mailed Notice of Hearing (20 days before hearing) | Exhibit C |
| Proof of Published Notice of Hearing (10 days before hearing) | N/A |
| Ownership Determination | |
| Land Ownership Schematic of the Spacing Unit | Exhibit A-3 |
| Tract List (including lease numbers and owners) | Exhibit A-3 |
| Pooled Parties (including ownership type) | Exhibit A-3 |
| Unlocatable Parties to be Pooled | N/A |
| Ownership Depth Severance (including percentage above & below) | N/A |
| Joinder | |
| Sample Copy of Proposal Letter | Exhibit A-4 |
| List of Interest Owners (ie Exhibit A of JOA) | Exhibit A-3 |
| Chronology of Contact with Non-Joined Working Interests | Exhibit A-5 |
| Overhead Rates In Proposal Letter | Exhibit A-4 |
| Cost Estimate to Drill and Complete | Exhibit A-4 |
| Cost Estimate to Equip Well | Exhibit A-4 |
| Cost Estimate for Production Facilities | Exhibit A-4 |
| Geology | |
| Summary (including special considerations) | Exhibit B |
| Spacing Unit Schematic | Exhibit A-2 |
| Gunbarrel/Lateral Trajectory Schematic | Exhibit A-2 |
| Well Orientation (with rationale) | Exhibit B-1 |
| Target Formation | Exhibit B |
| HSU Cross Section | Exhibit B-2 |
| Depth Severance Discussion | N/A |
| Forms, Figures and Tables | |
| C-102 | Exhibit A-1 |
| Tracts | Exhibit A-3 |
| Summary of Interests, Unit Recapitulation (Tracts) | Exhibit A-3 |
| General Location Map (including basin) | Exhibit A-2 |
| Well Bore Location Map | Exhibit A-2 |
| Structure Contour Map - Subsea Depth | Exhibit B-1 |
| Cross Section Location Map (including wells) | Exhibit B-1 |
| Cross Section (including Landing Zone) | Exhibit B-2 |
| Additional Information | |
| Special Provisions/Stipulations | None |
| CERTIFICATION: I hereby certify that the information provided in this checklist is complete and accurate. | |
| Printed Name (Attorney or Party Representative): | Kaitlyn A. Luck |
| Signed Name (Attorney or Party Representative): |  |
| Date: | 21-Sep-20 |

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

**APPLICATION OF CATENA RESOURCES
OPERATING, LLC FOR COMPULSORY
POOLING, LEA COUNTY, NEW MEXICO.**

CASE NO. 21356

APPLICATION

Catena Resources Operating, LLC (“Applicant”) (OGRID No. 328449), through its undersigned attorneys, hereby files this application with the Oil Conservation Division pursuant to the provisions of NMSA 1978, § 70-2-17, for an order pooling all uncommitted interests in the Bone Spring formation underlying a standard 640-acre, more or less, horizontal spacing unit comprised of the E/2 of Sections 20 and 29, Township 18 South, Range 35 East, Lea County, New Mexico. In support Applicant states:

1. Applicant is a working interest owner in the proposed horizontal spacing unit and has the right to drill thereon.
2. Applicant seeks to initially dedicate the above-referenced spacing unit to the proposed **Ball 183529 2H Well** to be horizontally drilled from a surface location in the NW/4 NE/4 (Unit B) of Section 32 to a bottom hole location in the NE/4 NE/4 (Unit A) of Section 20.
3. The completed interval for the proposed well will remain within 330 feet of the W/2 E/2 of Sections 20 and 29 to allow inclusion of this offsetting acreage in a standard horizontal well spacing unit.
4. Applicant has sought and been unable to obtain voluntary agreement for the development of these lands from all interest owners in the subject spacing unit.

5. The pooling of interests will avoid the drilling of unnecessary wells, will prevent waste, and will protect correlative rights.

6. In order to permit Applicant to obtain its just and fair share of the oil and gas underlying the subject lands, all uncommitted interests in this horizontal spacing unit should be pooled, and Applicant should be designated the operator of the proposed well and horizontal spacing unit.

WHEREFORE, Applicant requests that this application be set for hearing before an Examiner of the Oil Conservation Division on July 23, 2020, and, after notice and hearing as required by law, the Division enter an order:

- A. Pooling all uncommitted interests in the horizontal spacing unit and approving the initial well thereon;
- B. Designating Applicant as operator of the horizontal spacing unit and the horizontal wells to be drilled thereon;
- C. Authorizing Applicant to recover its costs of drilling, equipping, and completing the well;
- D. Approving the actual operating charges and costs of supervision while drilling and after completion, together with a provision adjusting the rates pursuant to the COPAS accounting procedures; and
- E. Imposing a 200% charge for the risk assumed by Applicant in drilling and completing the well against any working interest owner who does not voluntarily participate in the drilling of the well.

Respectfully submitted,

HOLLAND & HART LLP

By: 

Michael H. Feldewert
Adam G. Rankin
Julia Broggi
Kaitlyn A. Luck
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agrarkin@hollandhart.com
jbroggi@hollandhart.com
kaluck@hollandhart.com

**ATTORNEYS FOR
CATENA RESOURCES OPERATING, LLC**

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

**APPLICATION OF CATENA RESOURCES
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CASE NOS. 21356

AFFIDAVIT OF ROBERT SWANN

Robert Swann, of lawful age and being first duly sworn, declares as follows:

1. My name is Robert Swann. I am a Land Manager with Catena Resources Operating, LLC (“Catena”).

2. I have previously testified before the New Mexico Oil Conservation Division as an expert witness in petroleum land matters. My credentials as a petroleum land manager have been accepted by the Division and made a matter of record.

3. I am familiar with the application filed by Catena in this case, and I am familiar with the status of the lands in the subject area.

4. The uncommitted parties have not indicated any opposition to this pooling application, and therefore I do not expect any opposition at the hearing

5. Catena seek an order pooling all uncommitted interests in the Bone Spring formation [960, Airstrip; Bone Spring] underlying a standard 640-acre horizontal spacing unit comprised of the E/2 of Sections 20 and 29, Township 18 South, Range 35 East, Lea County, New Mexico.

6. Catena seeks to initially dedicate this spacing unit to the proposed **Ball 183529 2H** well to be horizontally drilled from a surface location in the NW/4 NE/4 (Unit B) of Section 32 to a bottom hole location in the NE/4 NE/4 (Unit A) of Section 20. The completed interval for the

BEFORE THE OIL CONSERVATION DIVISION

Santa Fe, New Mexico

Exhibit No. A

Submitted by: Catena Resources Operating, LLC

Hearing Date: September 24, 2020

Case No. 21356

proposed well will remain within 330 feet of the W/2 E/2 of Sections 20 and 29 to allow inclusion of this offsetting acreage in a standard horizontal well spacing unit.

7. **Exhibit A-1** contains the Form C-102 for the proposed well.

8. **Exhibit A-2** is a general location map outlining the acreage being pooled and the lateral trajectory of the proposed well. The acreage is comprised of state lands.

9. **Exhibit A-3** identifies the tracts of land comprising the proposed spacing unit, the working interest ownership in each tract and their respective interest in the horizontal spacing unit. The mineral owners that remain to be pooled are highlighted on Exhibit A-3.

10. No ownership depth severances exist within in the Bone Spring formation underlying the subject acreage.

11. Catena has conducted a diligent search of company records, county records, telephone directories and conducted computer searches to locate contact information for each of the mineral owners that it seeks to pool.

12. **Exhibit A-4** contains a sample of the letter and AFE for the proposed well sent to the working interest owners that Catena has been able to locate. The costs reflected on the AFE are consistent with what Catena and other operators have incurred for drilling similar horizontal wells in the area in this formation.

13. **Exhibit A-5** contains a chronology of the contacts with the uncommitted mineral owners Catena was able to locate. Catena has made a good faith effort to obtain voluntary joinder of these owners in the proposed wells.

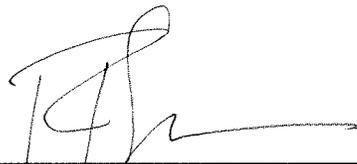
14. **Exhibit A-6** is Catena's notice of the overlapping spacing unit in this case, pursuant to 19.15.16.15.B(9) NMAC, which reflects that all affected working interest owners were provided notice of the overlapping spacing unit. No objection was received within the 20-day time period.

15. Catena requests overhead and administrative rates of \$8,000 per month for drilling and \$800 per month for a producing well. These rates are consistent with the rates charged by Catena and other operators for similar wells in this area.

16. I have provided the law firm of Holland and Hart, LLP, with the names and addresses (where available) of the mineral owners that Catena seeks to pool and instructed that they be notified of this hearing.

17. Exhibits A-1 through A-6 were prepared by me or compiled under my direction from company business records.

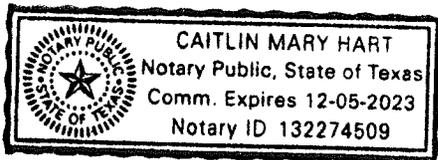
FURTHER AFFIANT SAYETH NAUGHT

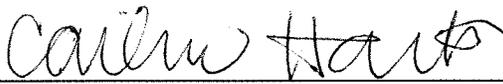


ROBERT SWANN

STATE OF TEXAS)
)
COUNTY OF BEXAR)

SUBSCRIBED and SWORN to before me this 22 day of September 2020 by Robert Swann.





NOTARY PUBLIC

My Commission Expires:
12/05/2023

15422746_v1

District I
1625 N. French Dr., Hobbs, NM 88240
Phone: (575) 393-6161 Fax: (575) 393-0720
District II
811 S. First St., Artesia, NM 88210
Phone: (575) 748-1283 Fax: (575) 748-9720
District III
1000 Rio Brazos Road, Aztec, NM 87410
Phone: (505) 334-6178 Fax: (505) 334-6170
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505
Phone: (505) 476-3460 Fax: (505) 476-3462

State of New Mexico
Energy, Minerals & Natural Resources Department
OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-102
Revised August 1, 2011
Submit one copy to appropriate
District Office
 AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

| | | |
|---|--|--|
| ¹ API Number | ² Pool Code 960 | ³ Pool Name Airstrip; Bone Spring |
| ⁴ Property Code | ⁵ Property Name Ball 183529 | |
| ⁷ OGRID No. 328449 | ⁸ Operator Name Catena Resources Operating, LLC | ⁶ Well Number 2H |
| ⁹ Elevation | | |

¹⁰ Surface Location

| UL or lot no. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| B | 32 | 18S | 35E | | 190' | FNL | 1350' | FEL | Lea |

¹¹ Bottom Hole Location If Different From Surface

| UL or lot no. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| A | 20 | 18S | 35E | | 100' | FNL | 1250' | FEL | Lea |

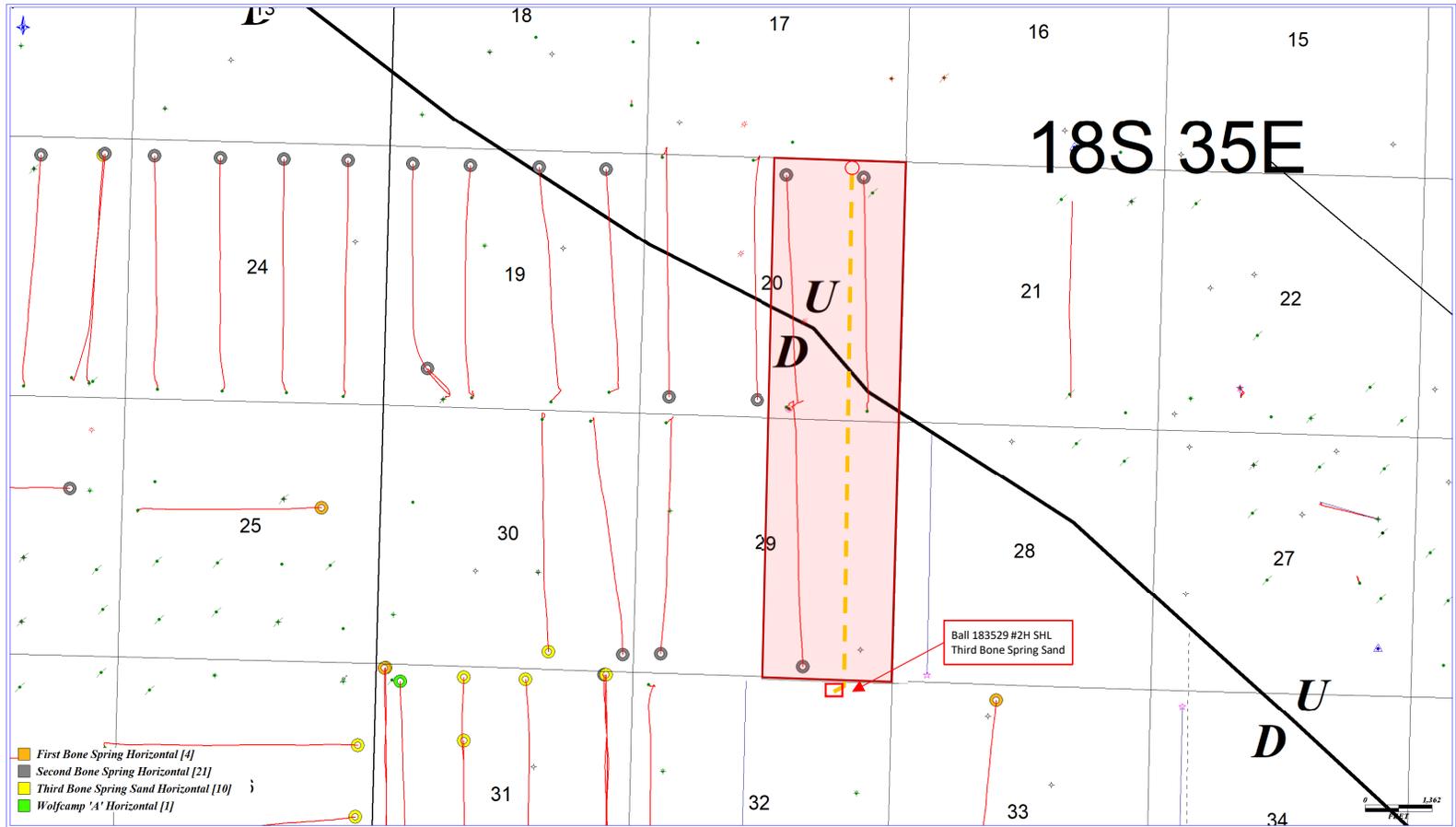
| | | | |
|---|-------------------------------|--|-------------------------|
| ¹² Dedicated Acres 640 | ¹³ Joint or Infill | ¹⁴ Consolidation Code COM | ¹⁵ Order No. |
|---|-------------------------------|--|-------------------------|

No allowable will be assigned to this completion until all interests have been consolidated or a non-standard unit has been approved by the division.

| | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
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padding: 2px; width: fit-content; margin: auto;"> 2H BHL & LTP 100' FNL 1250' FEL 20 18S 35E </div> | NENE | NWNW | NENW | NWNE | NENE | 19 | SENE | SWNW | SENE | SWNE | SENE | SWSW | SENE | SWNE | SENE | NESE | NWSW | NESW | NWSE | NESE | NWSW | NESW | NWSE | NESE | SESE | SWSW | SESW | SWSE | SESE | SWSW | SESW | SWSE | SESE | NENE | NWNW | NENW | NWNE | NENE | NWNW | NENW | NWNE | NENE | 30 | SENE | SWNW | SENE | SWNE | SENE | SWSW | SENE | SWNE | SENE | NESE | NWSW | NESW | NWSE | NESE | NWSW | NESW | NWSE | NESE | SESE | SWSW | SESW | SWSE | SESE | SWSW | SESW | SWSE | SESE | NENE | NWNW | NENW | 32 NWNE | NENE | NWNW | NENW | 33 NWNE | NENE | <p style="text-align: center;">¹⁷ OPERATOR CERTIFICATION</p> <p><i>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or work interest, or to a voluntary pooling agreement or compulsory pooling order heretofore entered by the division.</i></p> <p>Signature _____ Date _____</p> <p>Printed Name _____</p> <p>E-mail Address _____</p> <hr/> <p style="text-align: center;">¹⁸ SURVEYOR CERTIFICATION</p> <p><i>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</i></p> <p>Date of Survey _____</p> <p>Signature and Seal of Professional Surveyor: _____</p> <hr/> <p>Certificate Number _____</p> |
| SESE | SWSW | SESW | 17 SWSE | SESE | SWSW | SESW | 16 SWSE | SESE | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| NENE | NWNW | NENW | <div style="border: 1px solid black; padding: 2px; width: fit-content; margin: auto;"> 2H BHL & LTP 100' FNL 1250' FEL 20 18S 35E </div> | NENE | NWNW | NENW | NWNE | NENE | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 19 | SENE | SWNW | SENE | SWNE | SENE | SWSW | SENE | SWNE | SENE | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| NESE | NWSW | NESW | NWSE | NESE | NWSW | NESW | NWSE | NESE | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| SESE | SWSW | SESW | SWSE | SESE | SWSW | SESW | SWSE | SESE | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| NENE | NWNW | NENW | NWNE | NENE | NWNW | NENW | NWNE | NENE | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 30 | SENE | SWNW | SENE | SWNE | SENE | SWSW | SENE | SWNE | SENE | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| NESE | NWSW | NESW | NWSE | NESE | NWSW | NESW | NWSE | NESE | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| SESE | SWSW | SESW | SWSE | SESE | SWSW | SESW | SWSE | SESE | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| NENE | NWNW | NENW | 32 NWNE | NENE | NWNW | NENW | 33 NWNE | NENE | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

Ball 183529 #2H

Locator Map



BEFORE THE OIL CONSERVATION DIVISION

Santa Fe, New Mexico

Exhibit No. A2

1

Submitted by: Catena Resources Operating, LLC

Hearing Date: September 24, 2020

Case No. 21356

Catena Resources Operating, LLC

Ball 183529 2H - Bone Spring

Case No. 21356

BEFORE THE OIL CONSERVATION DIVISION

Santa Fe, New Mexico

Exhibit No. A3

Submitted by: Catena Resources Operating, LLC

Hearing Date: September 24, 2020

Case No. 21356

| | | | | | | | |
|------|------|------|------|------|------|------|-----|
| SESE | SWSW | SESW | SWSE | SESE | SWSW | SESW | SWS |
| NENE | NWNW | NENW | NWNE | NENE | NWNW | NENW | NWN |
| SENE | SWNW | SENW | SWNE | SENE | SWNW | SENW | SWN |
| NESE | NWSW | NESW | NWSE | NESE | NWSW | NESW | NWS |
| SESE | SWSW | SESW | SWSE | SESE | SWSW | SESW | SWS |
| NENE | NWNW | NENW | NWNE | NENE | NWNW | NENW | NWN |
| SENE | SWNW | SENW | SWNE | SENE | SWNW | SENW | SWN |
| NESE | NWSW | NESW | NWSE | NESE | NWSW | NESW | NWS |
| SESE | SWSW | SESW | SWSE | SESE | SWSW | SESW | SWS |
| NENE | NWNW | NENW | NWNE | NENE | NWNW | NENW | NWN |

20

1

21

2

29

4

28

3

| | | | | |
|-------------------------------|--|--------------------|-----------------|------------------|
| Unit Size | Ball 183529 2H - Bone Spring - Case No. 21356 | | | |
| 640 | | | | |
| WI Owner | Tract No | Tract Gross | Tract WI | Tract NMA |
| Catena Resources Operating | 1 | 320 | 87.50% | 280.000 |
| T.H. McElvain Oil & Gas, LLLP | 1 | 320 | 12.50% | 40.000 |
| Marathon Oil Permian LLC | 3 | 320 | 100.00% | 320.000 |
| Tract Totals | | | | 640.000 |

| | | |
|-------------------------------|----------------|-----------------|
| WI Owner | Unit WI | Unit NMA |
| Catena Resources Operating | 43.75% | 280.000 |
| T.H. McElvain Oil & Gas, LLLP | 6.25% | 40.000 |
| Marathon Oil Permian LLC | 50.00% | 320.000 |
| Unit Totals | 100.00% | 640.000 |



June 10, 2020
Via Certified Mail

Re: **Ball 183529 1H Well Proposal**
Wolfcamp Formation
E2 of Section 20 T18S, 35E, and Section 29, T18S, R35E
Lea County, New Mexico

Ball 183529 2H Well Proposal
Bone Springs Formation
E2 of Section 20 T18S, 35E, and Section 29, T18S, R35E
Lea County, New Mexico

Ladies and Gentlemen,

Catena Resources Operating, LLC ("Catena") as Operator hereby proposes to drill the following wells to a depth sufficient to test the Wolfcamp and Bone Spring formations:

| Well Name | SHL Sec. 32 | BHL Sec. 20 | Spacing Unit 640 Acres | Target TVD | Estimated TMD |
|---|-------------------------|-------------------------|---|-----------------------|--------------------------|
| Ball 183529 1H Wolfcamp Formation | FNL: 190' FEL: 1250' | FNL: 100' FEL: 1250' | E/2 of Section 20, T18S, 35E and E/2 of Section 29, T19S, R35E | 9,755' | 20,469' |
| Ball 183529 2H Bone Spring Formation | FNL: 190' FEL: 1350' | FNL: 100' FEL: 1250' | E/2 of Section 20, T18S, 35E and E/2 of Section 29, T19S, R35E | 9,570' | 20,284' |

These proposed locations and target depths are subject to change depending on any surface or subsurface concerns encountered.

Regarding the above, enclosed for your further handling are our AFE's dated April 16, 2020 for the proposed wells. The AFE's represent an estimate of the costs that will be incurred to drill and complete the wells, but those electing to participate in the wells are responsible for their proportionate share of the actual costs incurred. In the event you elect to participate in the proposed wells, please execute the enclosed AFE's and return to me. We are happy to furnish you with a proposed Joint Operating Agreement upon request. Please respond within 30 days of receiving this notice. If you do not wish to participate, Catena proposes to acquire your interest via term assignment subject to due diligence and title verification satisfactory to Catena.

Should you have any questions regarding the above, please email me at rswann@catenares.com or call me at (210) 775-6993.

Sincerely,

Catena Resources Operating, LLC

Robert Swann

Land Manager

BEFORE THE OIL CONSERVATION DIVISION

Santa Fe, New Mexico

Exhibit No. A4

Submitted by: Catena Resources Operating, LLC

Hearing Date: September 24, 2020

Case No. 21356



| | | | |
|--|---|---|---------------|
| | WELL COST ESTIMATE | | AFENO. |
| | WELL NAME: Ball 183529 2H FIELD NAME: LOCATION: 2 sec. lateral, COUNTY / ST: Lea County, NM OBJECTIVE: Bone Spring | DATE: 16-Apr-20 START DATE: COMPLETE DATE: ORIGINAL: x SUPPLEMENT: | |

| INTANGIBLE COSTS | ACCT CODE | DRILLING - 310XX | ACCT CODE | COMPLETION - 320XX | ACCT CODE | FACILITIES - 330XX | TOTAL |
|--|-----------|--------------------|-----------|--------------------|-----------|--------------------|--------------------|
| Legal Fees / Title Opinion | 31001 | \$50,000 | 32001 | \$0 | 33001 | \$0 | \$50,000 |
| Surveys / Staking / Permits / Bonds / Regulatory | 31002 | \$25,700 | 32002 | \$0 | 33002 | \$0 | \$25,700 |
| ROW / Surface Damages | 31003 | \$60,000 | 32003 | \$0 | | \$0 | \$60,000 |
| Roads & Location / Reserve Pit - Construction | 31004 | \$90,000 | 32004 | \$0 | | \$0 | \$90,000 |
| Roads & Location / Reserve Pit - Reclamation | 31005 | | 32005 | \$0 | | \$0 | \$0 |
| Frac Pond | 31006 | | 32006 | \$0 | | \$0 | \$0 |
| Gate Guard | 31007 | | 32007 | \$0 | | \$0 | \$0 |
| Mouse / Rathole / Conductor | 31008 | \$19,000 | | \$0 | | \$0 | \$19,000 |
| Mobilization / Demobilization | 31009 | \$230,675 | 32008 | \$0 | | \$0 | \$230,675 |
| Drilling - Daywork | 31010 | \$475,000 | | \$0 | | \$0 | \$475,000 |
| Drilling - Footage | 31011 | | | \$0 | | \$0 | \$0 |
| Drilling - Turnkey | 31012 | | | \$0 | | \$0 | \$0 |
| Completion / Snubbing / Workover Unit | 31013 | | 32009 | \$40,000 | | \$0 | \$40,000 |
| Trailer House / Communications | 31014 | \$43,572 | 32010 | \$24,200 | | \$0 | \$67,772 |
| Drill Bits | 31015 | \$85,000 | 32011 | \$0 | | \$0 | \$85,000 |
| Directional Equipment / Gyro Surveys | 31016 | \$225,000 | 32012 | \$0 | | \$0 | \$225,000 |
| Downhole Tool / Stabilization Rental | 31017 | \$57,075 | 32013 | \$34,000 | | \$0 | \$91,075 |
| Mud / Chemicals | 31018 | \$200,000 | 32014 | \$601,500 | | \$0 | \$801,500 |
| Fuel / Power | 31019 | \$104,500 | 32015 | \$471,800 | | \$0 | \$576,300 |
| Water Supply Well, equipment | 31020 | \$3,603 | 32016 | \$0 | | \$0 | \$3,603 |
| Water / Water Hauling | 31021 | | 32017 | \$816,550 | | \$0 | \$816,550 |
| Offsite Water & Cuttings Disposal | 31022 | \$243,056 | 32018 | \$30,500 | | \$0 | \$273,556 |
| Transportation / Hauling | 31023 | \$31,000 | 32019 | \$0 | 33009 | \$15,000 | \$46,000 |
| Inspection / Tubular Testing | 31024 | \$95,654 | 32020 | \$0 | | \$0 | \$95,654 |
| Laydown Machine / Casing Crew / Tongs | 31025 | \$58,245 | 32021 | \$0 | | \$0 | \$58,245 |
| Cementing, Float Equipment & Services | 31026 | \$62,458 | 32022 | \$0 | | \$0 | \$62,458 |
| Mud Logging | 31027 | \$35,343 | | \$0 | | \$0 | \$35,343 |
| Logging - Open Hole | 31028 | | 32023 | \$0 | | \$0 | \$0 |
| Logging - Cased Hole | 31029 | | 32024 | \$13,000 | | \$0 | \$13,000 |
| Coring & Analysis, Drill Stem Test | 31030 | | | \$0 | | \$0 | \$0 |
| Perforating | 31031 | | 32025 | \$421,200 | | \$0 | \$421,200 |
| Wireline / Slickline Services | 31032 | | 32026 | \$15,000 | | \$0 | \$15,000 |
| Equipment Rental | 31033 | \$149,580 | 32027 | \$236,000 | | \$0 | \$385,580 |
| Pumping Services/Rental | 31034 | | 32028 | \$21,000 | | \$0 | \$21,000 |
| Acidizing & Fracturing | 31035 | | 32029 | \$2,175,000 | | \$0 | \$2,175,000 |
| Coil Tubing Unit | 31036 | | 32030 | \$120,000 | | \$0 | \$120,000 |
| Flow Testing, Swabbing | 31037 | | 32031 | \$95,875 | | \$0 | \$95,875 |
| Fishing / Sidetrack Services | 31038 | | 32032 | \$0 | | \$0 | \$0 |
| Nipple Up / BOPE Testing | 31039 | \$6,400 | 32033 | \$23,000 | | \$0 | \$29,400 |
| Overhead | 31040 | \$8,000 | 32034 | \$19,500 | | \$0 | \$27,500 |
| Wellsite Consulting Services/Supervision | 31041 | \$159,861 | 32035 | \$153,950 | 33003 | \$20,000 | \$333,811 |
| Engineering / Geological / Lab Service Tracers and diagnostics | 31042 | \$25,000 | 32036 | \$35,500 | | \$15,000 | \$75,500 |
| Roustabout / Contract Labor | 31043 | \$8,480 | 32037 | \$0 | 33004 | \$160,000 | \$168,480 |
| Welding Services | 31044 | \$5,120 | 32038 | \$0 | | \$0 | \$5,120 |
| Insurance | 31045 | \$10,000 | 32039 | \$0 | 33005 | \$0 | \$10,000 |
| Miscellaneous | 31046 | | 32040 | \$0 | 33006 | \$0 | \$0 |
| P&A Costs | 31047 | | 32041 | \$0 | | \$0 | \$0 |
| Safety / EH&S | 31048 | | 32042 | \$6,610 | 33007 | \$0 | \$6,610 |
| 5.5% Contingency (8% Taxes on Casing included in casing cost) | 31049 | \$141,202 | 32043 | \$311,200 | | \$10,500 | \$462,902 |
| NON-Op Drilling Intangible | 31050 | | 32044 | \$0 | | \$0 | \$0 |
| Pipeline Installation / Interconnect | 31051 | | 32045 | \$0 | 33008 | \$0 | \$0 |
| TOTAL INTANGIBLE COSTS | | \$2,708,524 | | \$5,665,385 | | \$220,500 | \$8,594,409 |

| TANGIBLE COSTS | ACCT CODE | DRILLING - 311XX | ACCT CODE | COMPLETION - 321XX | ACCT CODE | FACILITIES - 331XX | TOTAL |
|--|-----------|--------------------|-----------|--------------------|-----------|--------------------|--------------------|
| Conductor | 31101 | | | | | | |
| Surface Casing | 31102 | \$68,600 | | | | | \$68,600 |
| 1st Intermediate Casing / Liner | 31103 | \$113,200 | | | | | \$113,200 |
| 2nd Intermediate Casing / Liner | 31104 | | | | | | \$0 |
| Production Casing / Liner | | | 32101 | \$373,500 | | | \$373,500 |
| Casing Tie Back | | | 32102 | | | | |
| Liner Hanger Assembly | | | 32103 | | | | |
| Tubing | | | 32104 | \$58,500 | | | \$58,500 |
| Casing Equipment - OHMS / Etc. | | | 32105 | \$31,200 | | | \$31,200 |
| Wellhead Equipment | 31105 | \$26,750 | 32106 | \$27,000 | | | \$53,750 |
| Pumping Unit / Prime Mover / Base | | | 32107 | \$0 | 33101 | \$0 | \$0 |
| Rods / Pony Rods / Sinker Bars | | | 32108 | \$0 | 33102 | \$0 | \$0 |
| Artificial Lift Other - Gas Lift | | | 32109 | \$14,000 | 33103 | \$0 | \$14,000 |
| Wellhead Equipment Completions - Production Tree | | | 32110 | \$42,000 | 33104 | \$0 | \$42,000 |
| Tanks / Tank Steps / Stairs | | | 32111 | \$0 | 33105 | \$66,000 | \$66,000 |
| Gas Treating / Dehydration Equipment | | | 32112 | \$0 | 33106 | \$0 | \$0 |
| Separation Equipment, Heater Treater | | | 32113 | \$0 | 33107 | \$68,200 | \$68,200 |
| Surface Pumps | | | 32114 | \$0 | 33108 | \$3,000 | \$3,000 |
| Filters | | | 32115 | \$0 | 33109 | \$0 | \$0 |
| Buildings | | | 32116 | \$0 | 33110 | \$0 | \$0 |
| Interconnect Piping / Manifolds / Headers | | | 32117 | \$0 | 33111 | \$60,000 | \$60,000 |
| Flowlines / Connections / Valves | | | 32118 | \$0 | 33112 | \$46,960 | \$46,960 |
| Automation / Instruments / Controls / Analyzers | | | 32119 | \$0 | 33113 | \$16,000 | \$16,000 |
| Electrical Equipment / Generators | | | 32120 | \$0 | 33114 | \$52,000 | \$52,000 |
| Compressor & Related Equipment | | | 32121 | \$0 | 33115 | \$0 | \$0 |
| Metering Equipment, LACT Unit | | | 32122 | \$0 | 33116 | \$104,000 | \$104,000 |
| Chemical Equipment / Cathodic Protection | | | 32123 | \$0 | 33117 | \$0 | \$0 |
| Subsurface Equipment - Packer, Plugs, TAC | | | 32124 | \$11,000 | 33118 | \$0 | \$11,000 |
| Safety / EH&S Equipment | | | 32125 | \$4,000 | 33119 | \$18,000 | \$22,000 |
| NON-OP Drilling Intangible | | | 32126 | \$0 | 33120 | \$0 | \$0 |
| Transfer/SWD Pumps & Equipment | | | 32127 | \$0 | 33121 | \$19,060 | \$19,060 |
| Flare / Combustor | | | 32128 | \$0 | 33122 | \$16,000 | \$16,000 |
| Miscellaneous | 31106 | | 32129 | \$24,410 | 33123 | \$0 | \$24,410 |
| Contingency Costs | 31107 | \$11,690 | 32130 | \$28,060 | 33124 | \$0 | \$39,750 |
| TOTAL TANGIBLE COSTS | | \$220,240 | | \$613,670 | | \$469,220 | \$1,303,130 |
| TOTAL WELL COSTS | | \$2,928,764 | | \$6,279,055 | | \$689,720 | \$9,897,539 |

Prepared by Travis Salinas Title: Engineer

This AFEN is only an estimate. By returning one signed copy, you agree to pay your share of the actual costs incurred.

Extra Expense Insurance

I elect to be covered by Operator's Extra Expense insurance and pay my proportionate share of the premium.

I elect to purchase my own well control insurance policy.

Either box is checked above, non-operating working interest owner elects to be covered by Operator's well control insurance.

Joint Owner Interest: _____ Amount: _____

Joint Owner Name: _____ Signature: _____

Catena Resources Operating, LLC – Discussion Timeline

Wells

Ball 183529 2H

Catena's conversations with Marathon began on December 6, 2019. From that time on, multiple emails, phone calls, proposals and letters were exchanged. The main contact at Marathon is Jeff Broussard and as of August 3, 2020, dealings with Marathon are ongoing.

15429892_v1

BEFORE THE OIL CONSERVATION DIVISION

Santa Fe, New Mexico

Exhibit No. A5

Submitted by: Catena Resources Operating, LLC

Hearing Date: September 24, 2020

Case No. 21356

VIA CERTIFIED MAIL
RETURN RECEIPT REQUESTED

**TO ALL WORKING INTEREST OWNERS IN THE ACREAGE AFFECTED BY PROPOSED
OVERLAPPING SPACING UNIT**

Re: Notice of Overlapping Spacing
Bone Spring Formation
640 Acres, E/2 Section 20, 18S,35E & E/2 Section 29, 18S,35E
Lea County, New Mexico

To Whom It May Concern:

This letter is to advise you that Catena Resources Operating, LLC has proposed to drill the following well in the Bone Springs formation:

| |
|---|
| Ball 183529 2H 3 rd Bone Spring Sand Interval Approximate Depth: 10,384' SHL: 190' FNL, 1350' FEL, Sec. 32, 18S, 35E BHL: 100' FNL, 1250' FEL, Sec. 20, 18S, 35E |
|---|

This well will be dedicated to a 640-acre spacing unit comprised of the following acreage: E/2 Section 20, 18S, 35E & E/2 Section 29, 18S, 35E, Lea County, New Mexico.

This proposed 640-acre spacing unit will overlap the following spacing unit(s) containing the listed existing wells:

| Spacing Unit | Section | T-R | Well | Well No. | API | Pool | Depth |
|--------------|---------|---------|--------------|----------|--------------|-----------------------|--------|
| W2E2 | 20 | 18S 35E | Ironhouse 20 | 1H | 30-025-40611 | WC-025; Bone Spring | 9,279' |
| E2E2 | 20 | 18S 35E | Ironhouse 20 | 2H | 30-025-40748 | WC-025; Bone Spring | 9,310' |
| W2E2 | 29 | 18S 35E | Nighthawk | 3H | 30-025-41950 | Airstrip; Bone Spring | 9,925' |

Pursuant to NMAC 19.15.16.15.B(9) and 19.15.15.12.B, you have a right to object this overlapping spacing unit by delivering a written statement of objection to our office within twenty (20) days of the mailing of this notice. If no objection is received within this 20-day period, we will proceed with drilling the initial wells within this overlapping spacing unit.

If you have any questions about this matter, please contact my office.

Sincerely,

Robert Swann
Land Manager
18402 Hwy 281, Suite 258
San Antonio, Texas 78259
Direct: (210) 775-6993
rswann@catenares.com

BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico
Exhibit No. A6
Submitted by: Catena Resources Operating, LLC
Hearing Date: September 24, 2020
Case No. 21356

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

**APPLICATION OF CATENA RESOURCES
OPERATING, LLC FOR COMPULSORY
POOLING, LEA COUNTY, NEW MEXICO**

CASE NOS. 21356

AFFIDAVIT OF VINCE SMITH

Vince Smith, of lawful age and being first duly sworn, declares as follows:

1. My name is Vince Smith. I work for Catena Resources Operating, LLC (“Catena”) as a Geologist.
2. I have previously testified before the New Mexico Oil Conservation Division as an expert witness in petroleum geology. My credentials as a petroleum geologist have been accepted by the Division and made a matter of record.
3. I am familiar with the application filed by Catena in this matter and I have conducted a geologic study of the lands in the subject area.
4. Catena is initially targeting the Third Bone Spring Sand interval of the Bone Spring formation. **Exhibit B-1** is a subsea structure map that I prepared for this interval with 25-foot contours. The proposed horizontal well spacing unit is highlighted in red and the initial well is depicted with a dashed line. The structure map shows the Bone Spring formation dipping to the south. The dark line between the notations “D” and “U” represents a deeper structure that caused the shallower formations to sit high. The notations “D” and “U” refer to “downthrown” and “upthrown” side of the deep structure faulting. The structure appears consistent across the proposed spacing unit and I do not observe any faulting, pinch outs, or other geologic impediments to drilling horizontal wells in this area.

BEFORE THE OIL CONSERVATION DIVISION

Santa Fe, New Mexico

Exhibit No. B

Submitted by: Catena Resources Operating, LLC

Hearing Date: September 24, 2020

Case No. 21356

5. Exhibit B-1 also shows a cross-section line in red running north to south reflecting four wells penetrating the Bone Spring formation that I used to construct a stratigraphic cross-section from A to A'. These wells contain good logs and I consider them representative of the geology in the subject area.

6. **Exhibit B-2** is a stratigraphic cross-section that I prepared using the logs from the wells noted on Exhibit B-1. Three of the four wells in the cross-section contains the gamma ray in the first track, resistivity in the second track and porosity curves in the third track. The initial target interval is labeled and marked. The cross-section demonstrates that the targeted interval is continuous across the proposed spacing unit.

7. Based on my geologic study, the Bone Spring formation underlying the subject area is suitable for development by horizontal wells and the acreage comprising the proposed spacing unit will be productive and contribute proportionately to the production from the well.

8. **Exhibit B-1** also shows the orientation of the wells drilled in the Bone Spring formation in the surrounding area. The stand-up orientation of the proposed well is the preferred orientation for horizontal well development in this area and is appropriate to efficiently and effectively develop the subject acreage.

9. In my opinion, the granting of Catena's application is in the best interest of conservation, the prevention of waste, and protection of correlative rights.

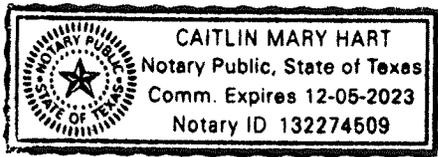
10. **Exhibits B-1** through **B-2** were either prepared by me or compiled under my direction and supervision.

FURTHER AFFIANT SAYETH NOT.

Vince Smith
VINCE SMITH

STATE OF TEXAS)
)
COUNTY OF BEXAR)

SUBSCRIBED and SWORN to before me this 22 day of September 2020 by Vince Smith.

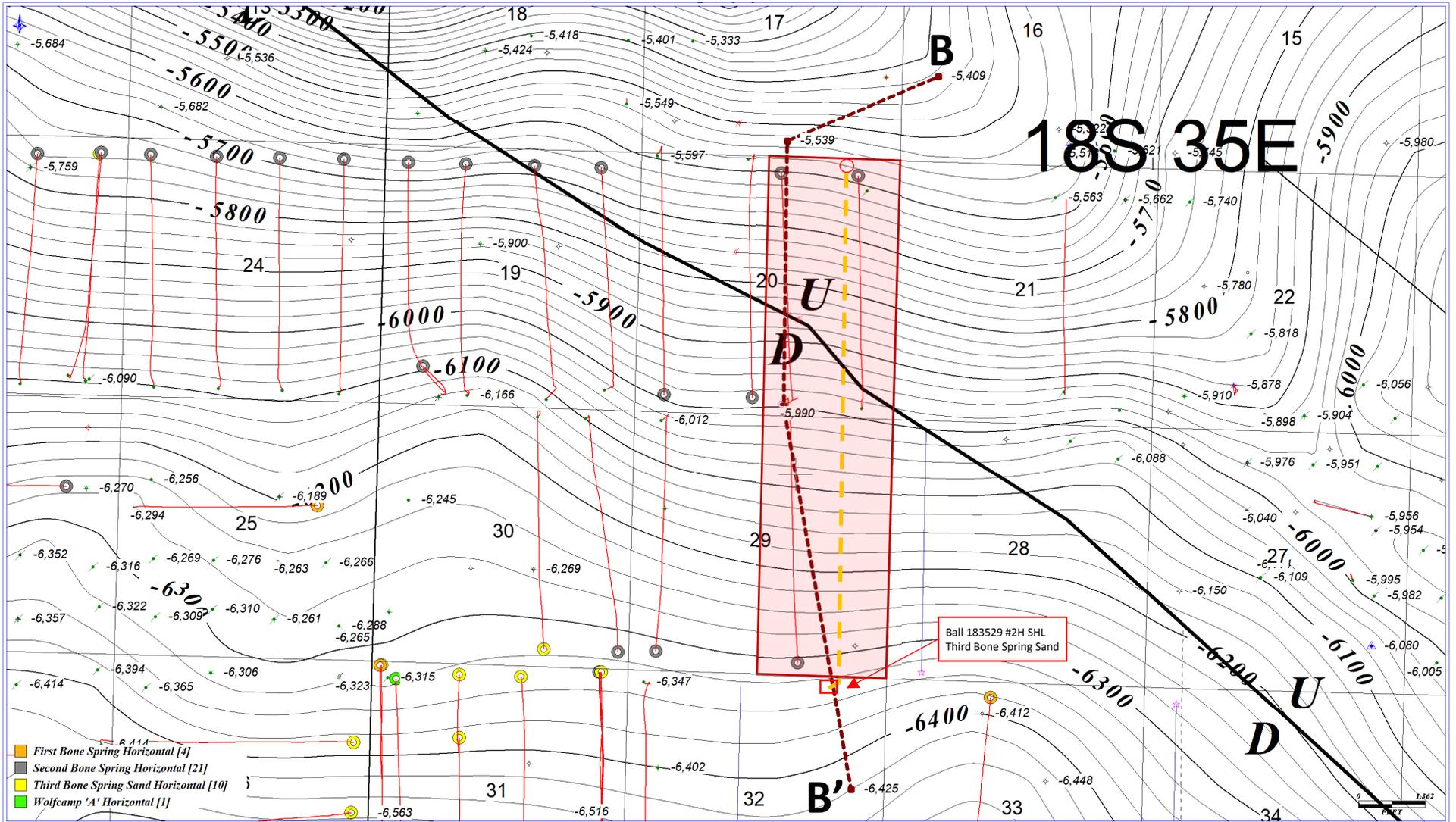


Caitlin Hart
NOTARY PUBLIC

My Commission Expires:
12/05/2023

Third Bone Spring Sand

Subsea Structure



Contour Interval = 25'

BEFORE THE OIL CONSERVATION DIVISION

Santa Fe, New Mexico

Exhibit No. B1

Submitted by: Catena Resources Operating, LLC

Hearing Date: September 24, 2020

Case No. 21356

Third Bone Spring Sand Datum

Cross Section

B

30025293470000
MARALO 'SV' 16 STATE #1
MARALO LLC
ELEV_KB : 3,942

<3,359FT>

30025417570000
BARBARO STATE #2
MACK ENERGY CORP
ELEV_KB : 3,959

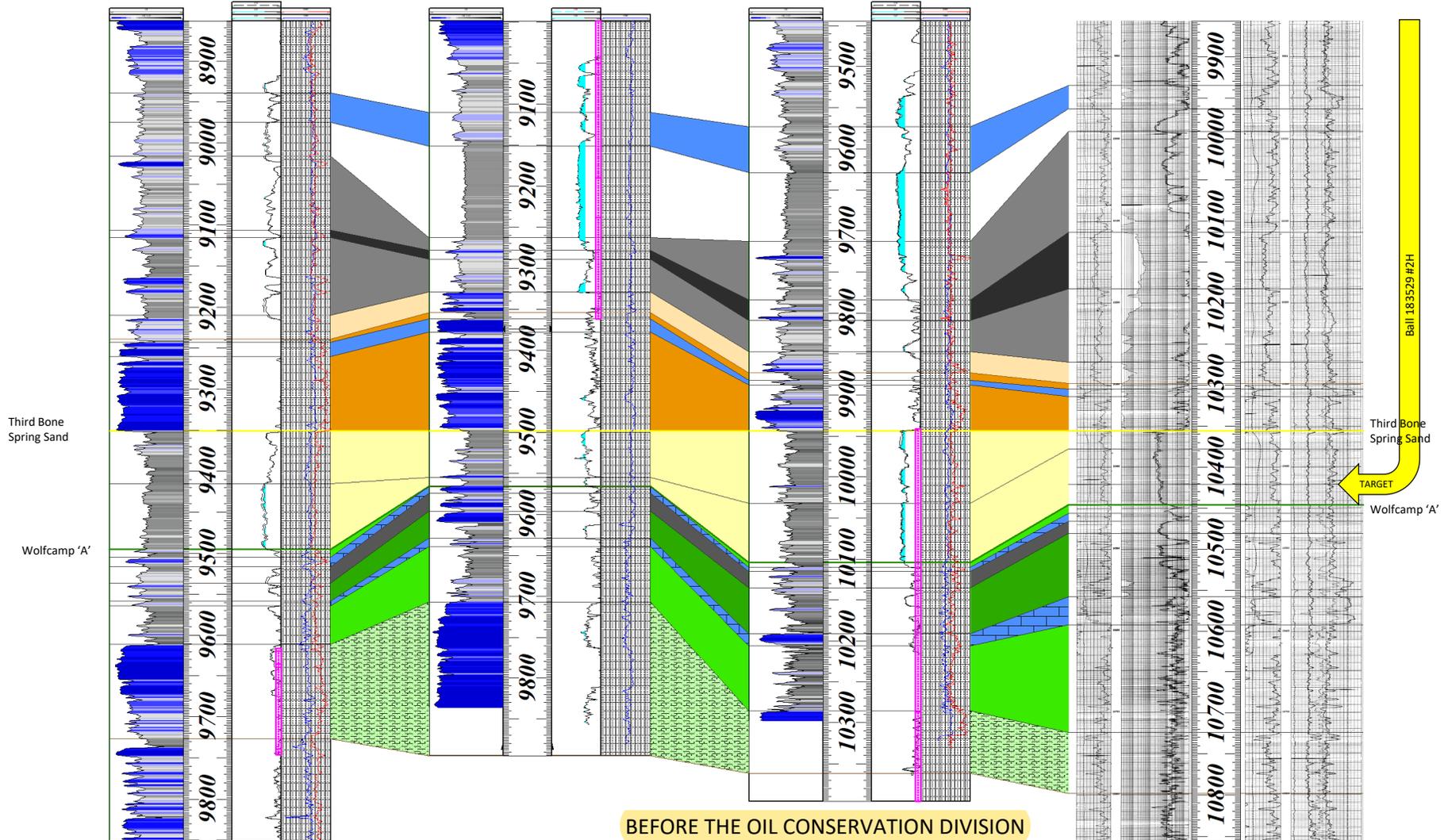
<5,288FT>

30025406117000
IRONHOUSE 20 STATE #1H
CATENA RESOURCES OP
ELEV_KB : 3,954

<8,053FT>

30025293360000
PEOPLES '32' STATE #2
SOUTHLAND ROYALTY CO
ELEV_KB : 3,931

B'



Santa Fe, New Mexico

Exhibit No. B2

Submitted by: Catena Resources Operating, LLC

Hearing Date: September 24, 2020

Case No. 21356



July 17, 2020

VIA CERTIFIED MAIL
CERTIFIED RECEIPT REQUESTED

TO: ALL INTEREST OWNERS SUBJECT TO POOLING PROCEEDINGS

Re: Application of Catena Resources Operating, LLC for Compulsory Pooling, Lea County, New Mexico.
Ball 183529 2H Well

Ladies & Gentlemen:

This letter is to advise you that COG Operating Inc. has filed the enclosed application with the New Mexico Oil Conservation Division. A hearing has been requested before a Division Examiner on August 6, 2020, and the status of the hearing can be monitored through the Division's website at <http://www.emnrd.state.nm.us/ocd/>. You are not required to attend this hearing, but as an owner of an interest that may be affected by this application, you may appear and present testimony. Failure to appear at that time and become a party of record will preclude you from subsequently challenging this matter.

During the COVID-19 Pubic Health Emergency, state buildings are closed to the public and hearings will be conducted remotely. To participate in the electronic hearing, see the instructions posted on the Oil Conservation Division "OCD Hearings" website at <http://www.emnrd.state.nm.us/OCD/announcements.html>.

Parties appearing in cases are required by Division Rule 19.15.4.13.B to file a Pre-hearing Statement four business days in advance of a scheduled hearing. This statement must be filed at the Division's Santa Fe office at the above specified address and should include: the names of the parties and their attorneys; a concise statement of the case; the names of all witnesses the party will call to testify at the hearing; the approximate time the party will need to present its case; and identification of any procedural matters that are to be resolved prior to the hearing.

If you have any questions about this matter, please contact Robert Swann at (210) 775-6993 or at rswann@catenares.com.

Sincerely,



Michael H. Feldewert
ATTORNEY FOR CATENA RESOURCES OPERATING,
LLC

Catena - Ball 2H
Case Nos. 21355-21356 - Postal Delivery Report

| | | | | | | |
|------------------------|--------------------------|-------------------|---------|----|-------|---|
| 9414811898765825959773 | Marathon Oil Permian LLC | P.O. Box 2069 | Houston | TX | 77252 | Your item was delivered at Jul 22 in HOUSTON,TX 77210. |
| 9414811898765825959919 | McElvain Energy | 1600 Stout Street | Denver | CO | 80202 | Delivered to Agent for Final Delivery at Jul 20 in DENVER,CO 80202. |
| 9414811898765825959957 | Loy G. Fletcher | P.O. Box 852 | Artesia | NM | 88211 | Mail piece was scanned in ZIP code 88211 on Jul 27 |