

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

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

CASE NOS: 21460, 21483

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

REPORTER'S TRANSCRIPT OF VIRTUAL PROCEEDINGS
EXAMINER HEARING
APRIL 22, 2021
SANTA FE, NEW MEXICO

This matter came on for virtual hearing before
the New Mexico Oil Conservation Division, HEARING OFFICER
WILLIAM BRANCARD and TECHNICAL EXAMINER DYLAN ROSE COSS on
Thursday, April 22, 2021, through the Webex Platform.

Reported by: Irene Delgado, NMCCR 253
PAUL BACA PROFESSIONAL COURT REPORTERS
500 Fourth Street, NW, Suite 105
Albuquerque, NM 87102
505-843-9241

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

A P P E A R A N C E S

For the Applicant:

PADILLA LAW FIRM
ERNEST PADILLA
1512 S. St. Francis Drive
Santa Fe, NM 87505

For MRC and Matador:

JAMES BRUCE
P.O. Box 1056
Santa Fe, NM 87504-1056
505-982-2151
jamesbruce@aol.com

For COG:

OCEAN MUNDS-DRY
1048 Paseo de Peralta
Santa Fe, NM 87501-3034
505-428-0485

I N D E X

CASE CALLED	
SUMMARY OF CASE AND EXHIBITS	
CASE CONTINUED	15
REPORTER CERTIFICATE	16

E X H I B I T I N D E X

	Admitted
Exhibits and Attachments	15

1 HEARING EXAMINER BRANCARD: With that, we are
2 left with two cases, Catena Resources, 21460, 21483 for
3 Catena. Am I pronouncing that correctly?

4 MR. PADILLA: Catena. Ernest Padilla for Catena
5 Resources Operating LLC.

6 HEARING EXAMINER BRANCARD: Okay. And I have an
7 entry of appearance for MRC and Matador?

8 MR. BRUCE: Yes, Mr. Examiner, Jim Bruce
9 representing MRC and Matador. They do not have any
10 objection to Mr. Padilla proceeding by affidavit.

11 HEARING EXAMINER BRANCARD: Okay, and then COG?

12 MS. MUNDS-DRY: Thank you, Mr. Hearing Examiner,
13 Ocean Munds-Dry on behalf of COG Operating LLC.

14 HEARING EXAMINER BRANCARD: Thank you. And do
15 you have any objection to these cases going by affidavit?

16 MS. MUNDS-DRY: No objection.

17 HEARING EXAMINER BRANCARD: Are there any other
18 entries of appearance in this matter?

19 (No audible response.)

20 HEARING EXAMINER BRANCARD: I just want to check
21 with the parties first because in looking at the file, were
22 these two cases part of another group of cases that we had a
23 prehearing order on?

24 MR. PADILLA: Mr. Examiner, I don't think
25 that -- I'm not aware of any other prehearing statements.

1 I know that we filed one and we waited until this case to
2 sort of iron themselves out, but we were not originally on
3 these cases, and I think we got them from Holland & Hart, if
4 I'm not mistaken, due to a conflict.

5 But I don't think, in any event, the prehearing
6 statement that we filed would supercede any other prehearing
7 statements. But these cases have been isolated, and -- but
8 let me, let me go back. We did dismiss about six or seven
9 cases and, yes, they could have been tied to other cases.
10 But those other cases, these are the only two remaining
11 cases for Catena in the group.

12 We had some, if I recall, we had another status
13 conference and it was pretty confusing on the number of
14 cases that we had in terms of land and position, and we were
15 trying to hear them all at the same time, and I don't know
16 what kind of, what happened with regard to -- why management
17 decided to drop the other cases.

18 But you are correct, I do believe these were,
19 these two cases were tied to others. The two wells here are
20 the Rambo 1 and 2. The Rambo 1 is a Wolfcamp and the 214 83
21 is also a Rambo 2 which is Bone Spring.

22 HEARING EXAMINER BRANCARD: Thank you. I'm just
23 concerned whether there is some other group of cases under a
24 prehearing order set for some other date that I need to
25 amend the prehearing order because these two cases are going

1 forward.

2 MR. PADILLA: At the last hearing, Mr. Feldewert
3 suggested that we have another status conference set for
4 today. In the meantime, all of those other cases have been
5 dropped.

6 HEARING EXAMINER BRANCARD: okay.

7 MR. PADILLA: You may be right, I think there is
8 a prehearing order on it. And I'm confusing with that with
9 a prehearing statement. There is a prehearing order setting
10 today as the -- as another status conference.

11 HEARING EXAMINER BRANCARD: Okay. And so MRC,
12 Matador, COG is okay with these cases going ahead? There is
13 no other changes we need to make here?

14 MR. BRUCE: Not on my client's behalf.

15 HEARING EXAMINER BRANCARD: COG is okay with this
16 going forward?

17 MS. MUNDS-DRY: Yeah, nothing further from COG.
18 Thank you.

19 HEARING EXAMINER BRANCARD: Okay. Mr. Padilla,
20 you may proceed.

21 MR. PADILLA: Mr. Examiner, let me state, first
22 of all, that Matador cases 21578 and 21579 are competing
23 cases. Those cases have been continued. The parties,
24 Catena and Matador, are trying to resolve their competing
25 positions, and they are close to an agreement, is my

1 understanding.

2 We do not seek to pool the Matador interests here
3 because of that potential resolution, and I think the
4 Matador cases have been continued to August 19, if I'm not
5 mistaken. Mr. Bruce can elaborate on that.

6 But I notice also that in our document listing, I
7 was really under the gun this week, and I didn't look at
8 these closely. I knew that we had all the exhibits and we
9 filed correct, but we normally Bate all of those exhibits or
10 have page numbers, and we didn't do that with some reference
11 to the first page as to what page these affidavits start.

12 We don't have a lot of exhibits, but what I do
13 have is the affidavit of Christopher Cannon who is the
14 Catena landman, and the affidavit of Brian Moore who is a
15 geologist. Mr. Moore has not previously testified before
16 the Oil Conservation Division. In his affidavit he attaches
17 his resume, which to me impressive.

18 He has worked with Percussion Petroleum in
19 Houston from May 2020 to the present, worked for Sabine Oil
20 & Gas before that, and Brighton Energy Partners. And in
21 total he has about 15 years of experience in the petroleum
22 industry.

23 He has a BS in geology from the University of
24 Texas at Austin, and his affidavit is attached as Exhibit
25 A-1. And what he attaches is First Bone Spring structure,

1 in both cases, a cross section, an isopach, and a regional
2 map, locator map.

3 Now, in the first set of cases involving Colgate,
4 we were aware that -- we had become aware there was some
5 SE/4 SE/4 of Section 8, a 40 acre tract that's unleased.
6 The affidavit of Mr. Cannon asks a stipulation that we
7 prepared with the land commissioner, and what that seeks to
8 do is, they are going to set that 40 acre tract on the May
9 lease sale.

10 If Matador or Catena obtain the lease, then, as I
11 said earlier, there should be no problem. If a third party
12 is involved, the stipulation states that we will comply with
13 OCD regulations in terms of proposals.

14 So we ask that an order not be issued until we
15 resolve this thing, and then at some later point we will
16 reopen this case. But in terms of the evidence submitted,
17 it's pretty straightforward. In terms of the -- the
18 spacing units, the Wolfcamp involves 640 acres involving the
19 E/2 of Sections 8 and 17 in 19 South, 35 East.

20 The Bone Spring is the E/2 of the E/2 of those
21 two sections, 8 and 17, and 19 South, Range 35 East, so they
22 sit right -- well, one above the other. With the only --
23 this case is fairly straightforward, but then we are also,
24 with the Matador competing applications, we are just going
25 to have to wait and see what happens with those applications

1 because those applications overlap the Catena.

2 So we ask that an order not be issued until we
3 resolve both of the State Land Office 40 acre tract and the
4 the -- and the resolution of the dispute between Matador
5 and Catena.

6 My indication is that they were writing up some
7 agreement, so these cases will possibly all be resolved. In
8 terms of the COG and the other parties, I don't know what
9 their decisions are, but they are at least preserving their
10 appellate rights, which I don't know, if after last week's
11 ruling on the case, I'm not sure whether that, that applies
12 or not anymore.

13 But anyway, with that, we tender Exhibits A, B
14 and C. I didn't speak about Exhibit C, which is my
15 affidavit that includes the Holland & Hart mailings and our
16 mailings on Case 483. But anyway, that's straightforward,
17 we didn't have to publish in Lea County because everybody we
18 received all the green cards back. We didn't see any
19 outstanding -- if there is something missing, we still have
20 plenty of time to get a publication notice done in Lea
21 County because I think this case, the Matador cases are
22 continued to August 19. Mr. Bruce can elaborate on that or
23 correct me on that.

24 Other than that, we tender Exhibits, A, B and C.

25 HEARING EXAMINER BRANCARD: Thank you.

1 MR. PADILLA: Before I do that, if you want us to
2 resubmit this with Bate numbers like we morally do, I would
3 be glad to do that.

4 HEARING EXAMINER BRANCARD: Thank you. I will, I
5 will defer to Mr. Rose Coss on that one. Let me go to Mr.
6 Bruce. Are you still on the line?

7 MR. BRUCE: Yes.

8 HEARING EXAMINER BRANCARD: So what are -- first
9 let's start with, what are the competing Matador cases? Pop
10 quiz.

11 MR. BRUCE: Yeah, hold on a minute. I couldn't
12 tell you. I know I filed continuance motions, and they -- I
13 think they were continued to the June 17 hearing.

14 HEARING EXAMINER BRANCARD: Mr. Padilla, do you
15 have the case numbers? You may have given them, I didn't
16 write them down.

17 MR. PADILLA: I was just looking for that. I
18 think Jim is correct on that, I think he did just go one
19 month instead of August 19.

20 HEARING EXAMINER BRANCARD: So we are thinking
21 June is when this is scheduled.

22 MR. BRUCE: June 17.

23 HEARING EXAMINER BRANCARD: So Mr. Bruce,
24 Matador's position is that you're okay with these competing
25 Catena cases going forward today?

1 MR. BRUCE: Yes.

2 HEARING EXAMINER BRANCARD: But then you want --
3 everybody wants the Matador cases to go forward at some
4 point and then we issue an order after all of that is done?

5 MR. BRUCE: I think -- I was told that the
6 parties are very close to agreement and the continuance was
7 just to cover Matador's bases, so I doubt that anything is
8 moving forward on Matador's cases on June 17, but they have
9 been continued to that date.

10 HEARING EXAMINER BRANCARD: But at this point,
11 Mr. Padilla indicated that they are not going to pool
12 Matador's interests in this matter, in this acreage?

13 MR. BRUCE: Correct.

14 HEARING EXAMINER BRANCARD: Okay. All right.
15 Well, we will look up the case numbers and figure that out.
16 As I mentioned earlier, I think there is a prehearing order
17 that we may need to adjust in the Matador cases then. Okay.
18 Mr. Rose Coss, any questions?

19 TECHNICAL EXAMINER COSS: Yes. Thanks,
20 Mr. Brancard. I suppose I'm a little confused on this. It
21 sounds as if this is almost a status conference, but it's
22 not, or we are not supposed to issue an order on these
23 cases. The Matador cases will resolve the issue? Or is it
24 spelled out in the exhibits what exactly should happen in
25 terms of the acreage and agreement, or could you can

1 clarify, Mr. Padilla.

2 MR. PADILLA: Well, I have never had this happen
3 before where you have unleashed -- we do know that we can't
4 force pool the BLM or the State Land Office, or at least if
5 you try to do that, that would be sort of foolhardy. But
6 what, what we're trying to do is pool all the parties and
7 suspend an order until we resolve the 40 acre tract, and
8 then we will reopen.

9 I have a pretty good feeling that the
10 Matador-Catena, deal is going to be resolved, so I think
11 that's going to be a non-issue that necessarily have to
12 either continue and reopen based on the 40 acre tract.

13 MR. BRUCE: Colgate, it's my understanding is
14 that Colgate wanted to move down the line on these hearings
15 for these very reasons. Otherwise, if they don't get
16 everybody joined up and ready to go, it will take even
17 longer into the fall to get everything resolved.

18 One other thing I did find, the Matador case
19 numbers are 21063, 064 and 065. And as I said again,
20 Matador told me that they're, you know, way down field in
21 coming to terms on this matter, so why not let Colgate move
22 ahead.

23 HEARING EXAMINER BRANCARD: Okay. Catena?

24 MR. BRUCE: Yeah, Catena, sorry.

25 TECHNICAL EXAMINER COSS: Is the conflict of

1 those two tracts, is that's what's highlighted in
2 Exhibit B-2? I see there is really no sign that the E/2
3 of -- the E/2 of the E/2 of a section highlighted. I don't
4 see anything that's labeled Matador in there. Did that
5 cross somehow or where does the conflict come in?

6 What I will ask for in this Casey for in these
7 exhibits since you already offered up a little bit to
8 resubmit them with page numbers, I also can't read the well
9 cost estimates in these exhibits, so if you would be so kind
10 as to resubmit legible well cost exhibits.

11 And then in exhibits -- similar to B-3, providing
12 the tracts, it also clarifies the conflict of Matador as to
13 whether the tracts overlap or not.

14 MR. PADILLA: What I can do is submit a revised
15 exhibit or an additional exhibit that shows the overlap in
16 these cases, but my understanding is that, I don't know
17 whether that SE/4, SE/4 Section 8 is going to be -- is
18 involved in both of the applications, in the competing
19 applications.

20 TECHNICAL EXAMINER COSS: They are making plans
21 around that Tract 7 in the SE/4 of the SE/4, that area is
22 still up for grabs; correct?

23 MR. PADILLA: Right. The land office is
24 certainly willing to put it up for sale because if you have
25 competing interests that will bone up or increase the

1 competition level for that tract.

2 TECHNICAL EXAMINER COSS: Perfect. Okay. We
3 will stay tuned. Those are all my questions. If could just
4 resubmit the exhibits, those changes.

5 MR. PADILLA: Okay. I will do that.

6 HEARING EXAMINER BRANCARD: Thank you. Ms.
7 Munds-Dry, we have left you out of this stimulating
8 conversation. I don't know if you had anything to add on
9 behalf of COG.

10 MS. MUNDS-DRY: I don't. Thank you, Mr.
11 Examiner.

12 HEARING EXAMINER BRANCARD: So where I see that
13 we stand here is that Catena has proposed exhibits, standard
14 exhibits for this matter that known has objected to other
15 than the fact that portions of the exhibits need to be
16 resubmitted as directed by Mr. Rose Coss and that we can
17 accept those exhibits into the record.

18 But what we are left with is an unfinished case,
19 as I understand it. And so there is the issue of competing
20 Matador acreage, and there is also more importantly, it
21 seems, the issue of an unleased 40 acre state trust land
22 tract.

23 So would we want to, Mr. Padilla, let me throw
24 this out, do we want to continue this to a specific date for
25 a status conference where you can update us as to where we

1 are on this case?

2 MR. PADILLA: Yes, I think, to be safe, it would
3 have to be sometime in August to make sure that we have
4 enough time because there is going to be some time between
5 the lease sale and issuance of the lease, and if Catena is
6 the successful bidder, that's not going to be a problem.

7 But if there is a third party other than Matador,
8 then we may have -- need more time. And we definitely need
9 to send out well proposals and that sort of thing to comply
10 with the pooling requirements.

11 HEARING EXAMINER BRANCARD: Okay. So I will
12 offer up that we will accept the exhibits and that Mr.
13 Padilla on behalf of Catena will submit revised exhibits as
14 directed by Mr. Rose Coss in this matter, that we would
15 have -- this case will be continued until August 19 for a
16 status conference. And that I would probably issue a
17 scheduling order following on that.

18 Let me hear from all the parties if that's
19 agreeable. Mr. Padilla?

20 MR. PADILLA: Yes, and the question I have is, I
21 imagine we have to file for a portal continuance?

22 HEARING EXAMINER BRANCARD: Yes. Mr. Bruce?

23 MR. BRUCE: That's fine with me.

24 HEARING EXAMINER BRANCARD: Ms. Munds-Dry?

25 MS. MUNDS-DRY: Sounds good, thank you.

1 HEARING EXAMINER BRANCARD: So I think we have a
2 path forward here. Hopefully some of these issues will
3 resolve themselves, and if not, we will figure it out.
4 Anything else on these two cases, case 21460 and 21483?

5 MR. PADILLA: No. No, not for me.

6 HEARING EXAMINER BRANCARD: Thank you, Mr.
7 Padilla. And with that I think we may be done for the day.
8 Anything else, Mr. Rose Coss?

9 TECHNICAL EXAMINER COSS: Nothing from me. Thank
10 you, everyone.

11 (Exhibits admitted.)

12 (Continued.)

13

14

15

16

17

18

19

20

21

22

23

24

25

1 STATE OF NEW MEXICO
2 COUNTY OF BERNALILLO

3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

REPORTER'S CERTIFICATE

I, IRENE DELGADO, New Mexico Certified Court Reporter, CCR 253, do hereby certify that I reported the foregoing virtual proceedings in stenographic shorthand and that the foregoing pages are a true and correct transcript of those proceedings to the best of my ability.

I FURTHER CERTIFY that I am neither employed by nor related to any of the parties or attorneys in this case and that I have no interest in the final disposition of this case.

I FURTHER CERTIFY that the Virtual Proceeding was of poor to good quality.

Dated this 22nd day of April 2021.

/s/ Irene Delgado

Irene Delgado, NMCCR 253
License Expires: 12-31-21