

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

**APPLICATION OF MEWBOURNE OIL COMPANY
FOR COMPULSORY POOLING, LEA COUNTY,
NEW MEXICO**

CASE NO. 20298

FEB 23 2013 PM 01:49

PRE-HEARING STATEMENT

Catena Resources Operating, LLC ("Catena") provides this Pre-Hearing Statement as required by the rules of the Division.

APPEARANCES

APPLICANT

Mewbourne Oil Company

APPLICANT'S ATTORNEYS

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OPPONENT

Catena Resources Operating, LLC

OPPONENT'S ATTORNEYS

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STATEMENT OF THE CASE

In Case No. 20298, Mewbourne Oil Company seeks an order pooling all mineral interests in the Bone Spring formation, to be dedicated to its Charolais 21/28 B2CN State Com. Well No. 1H, underlying a horizontal spacing unit comprised of the E/2W/2 of Sections 21 and Section 28, Township 19 South, Range 35 East, NMPM, Lea County, New Mexico.

Catena is an unjoined working interest owner in Mewbourne's proposed unit. Catena also owns the entirety of Section 33, Township 19 South, Range 35 East, NMPM, Lea County, New Mexico directly to the south of Mewbourne's proposed unit, and has an agreement in place to secure the entirety of Section 16, Township 19 South, Range 35 East, NMPM, Lea County, New Mexico, directly to the north of Mewbourne's proposed unit.

Catena has proposed to Mewbourne and its plan to develop the reserves in the entire W/2 all four sections, i.e., the W/2 of Sections 16, 21, 28 and 33, using two-mile lateral wells. Despite Catena's best efforts at good faith pre-filing negotiation, Mewbourne has neither been receptive to Catena's development plan nor has Mewbourne taken affirmative steps to secure Catena's participation in their proposed unit other than to furnish a JOA. Instead of engaging with Catena in good faith, Mewbourne filed an Application for hearing. Accordingly, Catena will timely file its own Application for hearing on March 7, 2019 (thirty days after well proposal letters were mailed) and request an April 6, 2019 hearing date.

Catena's development plan is superior to that of Mewbourne's, in that it more efficiently drains the W/2 of Sections 16, 21, 28 and 33 using fewer wells and causing less surface disturbance. Catena has already received the support of an interest owner (and New Mexico operator of note) *for* its development plan and *against* Mewbourne's, and will present evidence of the same at hearing. Importantly, due to its ownership in Section 33 and its pending ownership in Section 16, Catena owns more—on a percentage basis—in its proposed units than does Mewbourne in its own proposed unit. Further, Catena's plan is in the interests of conservation and the prevention of waste, while Mewbourne's is not: if Mewbourne is allowed to operate and drill as proposed, it will effectively strand Catena's mineral interests in Sections 16 and 33, both of which are state acreage. Finally, Catena opposes Mewbourne's application on the ground that

Mewbourne has failed to engage in good faith negotiation and may be attempting to railroad Catena into hearing on Mewbourne's application before Catena's application can be heard. The instant case should neither be heard nor taken under advisement by the Division until Catena's competing—and superior—development plan has been heard.

PROPOSED EVIDENCE

<u>OPPONENT'S WITNESSES</u>	<u>EST. TIME</u>	<u>EXHIBITS</u>
Kelley Burch, Petroleum Landman	20 min.	6
Vince Smith, Petroleum Geologist	20 min.	6
Jason Edwards, Petroleum Engineer	20 min	4

PROCEDURAL MATTERS

Catena requests that this matter be continued to a docket date that can accommodate the presentation of competing applications, and for this matter to be consolidated with Catena's competing application to be filed on March 7. If Mewbourne objects to a continuance of this matter, Catena will timely file a motion and request a pre-hearing conference to decide the motion and the path forward.

Respectfully submitted,

MONTGOMERY & ANDREWS, P.A.

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Attorneys for Catena Resources Operating, LLC

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served on the following counsel of record by electronic mail on February 28, 2019:

James Bruce
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/s/ Seth C. McMillan

Seth C. McMillan