

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:

APPLICATION OF MARATHON OIL PERMIAN, CASE NO. 15958  
LLC FOR A NONSTANDARD SPACING AND  
PRORATION UNIT AND COMPULSORY POOLING,  
EDDY COUNTY, NEW MEXICO.

Consolidated with

APPLICATION OF MARATHON OIL PERMIAN, CASE NO. 15960  
LLC FOR A NONSTANDARD SPACING AND  
PRORATION UNIT AND COMPULSORY POOLING,  
EDDY COUNTY, NEW MEXICO.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

February 8, 2018

Santa Fe, New Mexico

BEFORE: PHILLIP GOETZE, CHIEF EXAMINER  
DAVID K. BROOKS, LEGAL EXAMINER

This matter came on for hearing before the  
New Mexico Oil Conservation Division, Phillip Goetze,  
Chief Examiner, and David K. Brooks, Legal Examiner, on  
Thursday, February 8, 2018, 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.

REPORTED BY: Mary C. Hankins, CCR, RPR  
New Mexico CCR #20  
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Albuquerque, New Mexico 87102  
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## 1 APPEARANCES

2 FOR APPLICANT MARATHON OIL PERMIAN, LLC:

3 JENNIFER L. BRADFUTE, ESQ.  
 4 MODRALL, SPERLING, ROEHL, HARRIS & SISK, P.A.  
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1 (8:34 a.m.)

2 EXAMINER GOETZE: And we will start with  
3 Case Numbers 15958 and 15960, which have been requested  
4 to be consolidated. 15958 and 15960 are applications of  
5 Marathon Oil Permian, LLC for a nonstandard spacing and  
6 proration unit and compulsory pooling, Eddy County, New  
7 Mexico.

8 Call for appearances.

9 MS. BRADFUTE: Mr. Examiner, Jennifer  
10 Bradfute, with the Modrall Sperling Law Firm, on behalf  
11 of the Applicant, and I have two witnesses with me  
12 today.

13 EXAMINER GOETZE: So would your witnesses  
14 please stand, tell your name to the court reporter and  
15 she shall swear you in.

16 MR. RICE: Chase Rice, C-H-A-S-E, R-I-C-E.

17 MR. KEREN: Tucker Keren. I have a  
18 business card this morning.

19 (Mr. Rice and Mr. Keren sworn.)

20 EXAMINER GOETZE: And before we move any  
21 farther, I believe there was an entry of appearance by  
22 Holland & Hart. Have we since changed our opinion?

23 MS. KESSLER: We have. We will not be  
24 appearing today for OXY.

25 EXAMINER GOETZE: Very good.

1           The next item on the menu, before we go any  
2 farther, in reviewing your application -- this is where  
3 the statement comes from the beginning -- we noticed  
4 that in the docket -- in your application, your  
5 application has two wells. The docket only mentions one  
6 well. So you're going to have to re-advertise that one.

7           MS. BRADFUTE: Okay.

8           EXAMINER GOETZE: So as a requirement,  
9 you're going to have to resubmit the notification. So  
10 Case Number 15958 will have to be continued just based  
11 on notice only.

12          MS. BRADFUTE: Okay. And can we go ahead  
13 and have the evidence heard today --

14          EXAMINER GOETZE: Oh, yeah. We won't make  
15 you come back.

16          MS. BRADFUTE: Sounds great.

17                 And the notices that were sent out to  
18 working interest owners -- or to all the affected  
19 parties, it did include a copy of the actual  
20 application, and then we also did publish notice.

21                 And I will look at that and confirm if the  
22 well names were included -- if each of the well names  
23 was included in that.

24                 They were. Both well names were included  
25 in a publication that was ran in the newspaper published

1 in the county, which will be presented. So notice was  
2 provided both by publication in a newspaper of general  
3 circulation and by mailings that went out to everyone.

4 EXAMINER BROOKS: We accept that for the  
5 record, but we're still going to validate the notice  
6 sent to the Division furnished by the Applicant in the  
7 application.

8 MS. BRADFUTE: Thank you.

9 I'd like to call my first witness.

10 EXAMINER GOETZE: Please.

11 CHASE RICE,  
12 after having been previously sworn under oath, was  
13 questioned and testified as follows:

14 DIRECT EXAMINATION

15 BY MS. BRADFUTE:

16 Q. Good morning.

17 A. Good morning.

18 Q. Could you please state your name for the  
19 record?

20 A. Chase Rice.

21 Q. And, Mr. Rice, who do you work for?

22 A. Marathon Oil Company.

23 Q. And what is your position at Marathon?

24 A. Senior landman in the Permian asset.

25 Q. And what are your responsibilities as a landman

1     **at Marathon?**

2           A.     Title, contracts, operating agreements,  
3     leasing.

4           **Q.     And have you previously testified before the**  
5     **Division?**

6           A.     No.

7           **Q.     Could you please provide an explanation of your**  
8     **educational background to the Hearing Examiners?**

9           A.     I originally graduated from the University of  
10    Texas with an economics degree, and then I went up to  
11    Texas Tech University and got a Master's in Energy  
12    Commerce.

13          **Q.     And could you please explain your work history?**

14          A.     I previously worked at Devon Energy in Houston  
15    for six years, and I've worked at Marathon for  
16    approximately five years.

17          **Q.     And in your positions, did you work as a land**  
18    **professional?**

19          A.     Yes.

20          **Q.     And do you belong to any professional**  
21    **organizations?**

22          A.     I belong to the AAPL, the HAPL and the WHAPL.

23          **Q.     And does your area of responsibility at**  
24    **Marathon include the area of Eddy County in New Mexico?**

25          A.     Yes.

1           Q.   And are you familiar with the applications that  
2   have been filed by Marathon in Case Numbers 15958 and  
3   15960?

4           A.   Yes.

5           Q.   And are you familiar with the status of the  
6   lands which are the subject matter of these  
7   applications?

8           A.   Yes.

9                       MS. BRADFUTE:  I would like to tender  
10   Mr. Rice as an expert witness in land matters.

11                      EXAMINER GOETZE:  He is so qualified.

12           Q.   (BY MS. BRADFUTE) Mr. Rice, could you please  
13   turn to what has been marked as Exhibit Number 1 in the  
14   packet in front of you?  And it has two tabs, a Tab A  
15   and a Tab B.  I wanted to first look at Tab A.  Could  
16   you please explain what this document is to the Hearing  
17   Examiner?

18           A.   This is a State of New Mexico Oil Conservation  
19   Division application to pool.

20           Q.   And which well does this application pertain  
21   to?

22           A.   It's called the Sweet Tea 3H and 5H wells.

23           Q.   And where will these proposed wells be located?

24           A.   They will be located in the west half of  
25   Section 6, Township 25 South, Range 29 East, and the

1 southwest quarter of Section 31.

2 Q. And which formation will these wells develop?

3 A. The Wolfcamp; Purple Sage wells.

4 Q. And in this application, is Marathon seeking to  
5 create a nonstandard 480-acre spacing and proration  
6 unit?

7 A. Yes, it is.

8 Q. And is Marathon also seeking to pool all  
9 uncommitted interests underlying that proration unit?

10 A. Yes.

11 Q. Can you please turn to what's been marked as  
12 Tab B under Exhibit 1 and explain what this document is  
13 to the Hearing Examiners?

14 A. This is a State of New Mexico Oil Conservation  
15 Division application to pool.

16 Q. And which well does this application pertain  
17 to?

18 A. This is for the Sweet Tea 24-29-31 TB 6H.

19 Q. And where is this proposed well going to be  
20 located?

21 A. West half-west half of Section 6, Township 25  
22 South, Range 29 East, and the west half of the southwest  
23 quarter of Section 31, Township 24 South, Range 29 East.

24 Q. And which formation will this well develop?

25 A. This will be in the 3rd Bone Spring Formation.



1           Q.    And in this application, Marathon is seeking to  
2   create a 240-acre oil spacing and proration unit?

3           A.    Yes.

4           Q.    And is it also seeking to pool any uncommitted  
5   interests?

6           A.    Yes.

7           Q.    Could you please turn to what's been marked as  
8   Exhibit Number 2? And, again, this exhibit has a Tab A  
9   and a Tab B, and I'm going to start with Tab A. What is  
10   the first page of the documents included under Tab A?

11          A.    This is the C-102 form for the Sweet Tea State  
12   24-29-31 WXY 3H well.

13          Q.    And does this C-102 form identify a pool that  
14   the well will develop?

15          A.    Yes.

16          Q.    And what is that pool?

17          A.    The Purple Sage Pool.

18          Q.    Okay. Great.

19                   And can you please turn to the second page  
20   of this exhibit and identify what this document is?

21          A.    This is the C-102 form for the Sweet Tea State  
22   24-29-31 WA 5H.

23          Q.    And which pool will this well develop?

24          A.    Purple Sage.

25          Q.    And is the Purple Sage; Wolfcamp Gas Pool

1     governed by special pool rules that have been issued by  
2     the Division?

3             A.     Yes.

4             Q.     And under those pool rules, does the Division  
5     allow for 320-acre spacing and proration units with  
6     330-foot setbacks?

7             A.     Yes.

8             Q.     Will the completed intervals for each of these  
9     wells, the 3H and the 5H wells, comply with the Division  
10    setback requirements?

11            A.     Yes.

12            Q.     And in Marathon's application to create a  
13    480-acre spacing and proration unit, has Marathon  
14    provided notice to all affected mineral interest owners  
15    who would be left out of the 320-acre spacing unit?

16            A.     Yes.

17            Q.     Could you please turn to Tab B under this  
18    exhibit and identify what that document is?

19            A.     This is a C-102 form for the Sweet Tea State  
20    24-29-31 TB 6H.

21            Q.     And does this C-102 form identify a pool the  
22    well will be developing?

23            A.     Yes, the Willow Lake; Bone Spring.

24            Q.     And Marathon seeks to create an approximate  
25    240-acre oil spacing and proration unit, correct?

1           A.     Yes.

2           Q.     And has Marathon provided notice to all  
3     affected parties who are offsetting this proposed  
4     spacing and proration unit?

5           A.     Yes.

6           Q.     Could you please turn to what has been marked  
7     as Exhibit Number 3 and identify what this document is,  
8     the first page of this document, for the Hearing  
9     Examiners?

10          A.     Exhibit 3 is the lease tract map and summary of  
11     the uncommitted interest for the 3H and 5H wells.

12          Q.     And what are the types of leases that will be  
13     included within the project area for the 3H and the 5H  
14     wells?

15          A.     They'll be state leases, BLM federal leases and  
16     fee acreage.

17          Q.     And looking at the tract map, it looks like  
18     Tract 1 is a state lease and Tract 3 is a state lease as  
19     well?

20          A.     Correct.

21          Q.     And Tract 2 is a federal lease?

22          A.     Yes.

23          Q.     And Tract 4 is a fee lease?

24          A.     Yes.

25          Q.     And Tract 5 is a state lease?

1           A.     Correct.

2           **Q.     Could you please turn to the second page of**  
3           **this exhibit and explain what this document is for the**  
4           **Hearing Examiners?**

5           A.     This document shows all the committed,  
6           uncommitted working interest owners and the unleased  
7           mineral interests at the time.

8           **Q.     And who are the interests that Marathon is**  
9           **seeking to pool?**

10          A.     We're seeking to pool all the uncommitted  
11          working interests and the unleased mineral interests.

12          **Q.     And this document relates to the 3H and 5H**  
13          **wells?**

14          A.     Yes.

15          **Q.     Could you please turn to what has been marked**  
16          **as Exhibit Number 4 and identify what the first page of**  
17          **this exhibit is?**

18          A.     This is a lease tract map for the Sweet Tea 6  
19          State 24-29-31 TB 6H.

20          **Q.     And what types of leases will be included in**  
21          **the project area for the 6H well?**

22          A.     State leases and fee acreage.

23          **Q.     Okay. And Tract 1 looks like -- and Tract 2**  
24          **both look like state leases?**

25          A.     Correct.

1           Q.    And Tract 3 is fee acreage?

2           A.    Yes.

3           Q.    Could you please turn to the second page of  
4 this exhibit and explain what this document is to the  
5 Hearing Examiners?

6           A.    It's a summary page of all the committed  
7 working interest owners, uncommitted working interest  
8 owners and unleased mineral interests.

9           Q.    Could you please summarize for the Hearing  
10 Examiners what efforts Marathon made to obtain voluntary  
11 pooling agreements with the parties that you are seeking  
12 to pool?

13          A.    First we sent out letters to participate in our  
14 wells, contacted all the working interest owners. We're  
15 negotiating joint operating agreements at this time for  
16 all the unleased mineral interests. We've had brokers  
17 in the courthouses contacting all the mineral interests.  
18 We've had successful leasing efforts for most of them.  
19 The ones here below, we're still -- some we're still  
20 negotiating and others we're still unable to find.

21          Q.    Does Marathon anticipate that it will enter  
22 into voluntary agreements with some of the parties that  
23 listed in Exhibits 3 and 4?

24          A.    Yes.

25          Q.    In your opinion, has Marathon made a good-faith

1 effort to obtain voluntary joinder in the wells?

2 A. Yes.

3 Q. Could you please turn to what's been marked as  
4 Exhibit Number 5 and identify what this document is for  
5 the Hearing Examiners?

6 A. This is a copy of the letter we initially sent  
7 out to the uncommitted working interest owners to join  
8 in the wells.

9 Q. And if I look at the third page of this letter,  
10 you have a separate election for each of the wells that  
11 are being proposed, correct?

12 A. Correct.

13 Q. Could you please turn to what has been marked  
14 as Exhibit Number 6? And this exhibit has three letter  
15 tabs, A, B and C. I want to first look at Tab A. Could  
16 you please identify what this document is?

17 A. Yes. This is an AFE summarizing the cost for  
18 the Sweet Tea 6 State WA 5H well.

19 Q. And within this AFE, has Marathon provided  
20 estimated costs for drilling, completing and equipping  
21 the well?

22 A. Yes.

23 Q. Could you please identify what those costs are?

24 A. For the drilling costs, it's approximately  
25 2.456 million. For the completion costs, it's 5.22

1 million. For the surface equipment costs, artificial  
2 lift, it comes out to be about \$1 million.

3 Q. And could you please turn to Tab B and identify  
4 what this document is?

5 A. This is the AFE summarizing the costs for the  
6 Sweet Tea 6 State WXY 3H well.

7 Q. And within this AFE, has Marathon identified  
8 the costs for completing, drilling and equipping the  
9 well as well?

10 A. Yes.

11 Q. Could you please identify what those costs are?

12 A. The total drilling costs, 2.436 million;  
13 completion costs, 5.22 million; surface equipment costs  
14 and artificial lift, approximately \$1 million.

15 Q. And could you please turn to Tab C within this  
16 exhibit and identify what this document is?

17 A. This is the AFE summarizing the cost for the  
18 Sweet Tea 6 TB 6H.

19 Q. And within this AFE, has Marathon identified  
20 costs for drilling, completing and equipping the well?

21 A. Yes.

22 Q. And could you please identify what those are?

23 A. Total drilling costs are 2.22 million;  
24 completion costs, 5.22 million; surface equipment costs  
25 and artificial lift, approximately \$1 million.

1           Q.    And are the costs identified in each of these  
2   AFE in line with the costs to drill other horizontal  
3   wells within these depths and these lengths within these  
4   areas of New Mexico?

5           A.    Yes.

6           Q.    And who should be appointed operator of these  
7   wells?

8           A.    Marathon Oil Permian.

9           Q.    And do you have a recommendation for the  
10   amounts which Marathon should be paid for supervision  
11   and administrative expenses?

12          A.    We're requesting \$7,000 for drilling and \$700  
13   for a producing well.

14          Q.    And are these amounts equivalent to those  
15   normally charged by Marathon and other operators in this  
16   area for horizontal wells drilled to these lengths and  
17   these depths?

18          A.    Yes.

19          Q.    Do you request that these rates be periodically  
20   adjusted as provided for under the COPAS accounting  
21   procedure?

22          A.    Yes.

23          Q.    And does Marathon request the maximum cost for  
24   the 200 percent risk charge if any pooled working  
25   interest owner fails to pay its share of costs for



1 drilling, completing and equipping the wells?

2 A. Yes.

3 Q. Were the parties that you're seeking to pool  
4 notified of this hearing?

5 A. Yes.

6 Q. Could you please turn to what's been marked as  
7 Exhibit 7? And this Exhibit contains a Tab A and Tab B.  
8 I want to first look at Tab A. Does Tab A of this  
9 exhibit contain an Affidavit of Notice for Case Number  
10 15960 that has been executed by your counsel and  
11 confirms that notice was given to affected parties of  
12 this application?

13 A. Yes.

14 Q. Could you please turn to the very last page of  
15 this exhibit under Tab A? Is this page an Affidavit of  
16 Publication confirming that notice was also published in  
17 a newspaper of general circulation within Eddy County?

18 A. Yes.

19 Q. Could you please turn to Tab B? Does Tab B  
20 contain an Affidavit of Notice prepared by your counsel  
21 in Case Number 15958 confirming that notice was given to  
22 affected parties?

23 A. Yes.

24 Q. And could you please turn to the last page of  
25 Tab B? Is this document an Affidavit of Publication

1     confirming that notice was also published in a newspaper  
2     of general circulation?

3             A.     Yes.

4             Q.     Were Exhibits 1 through 7 prepared by you or  
5     under your supervision or compiled from company business  
6     records?

7             A.     Yes.

8             Q.     And in your opinion, is the granting of these  
9     applications in the interest of conservation and the  
10    prevention of waste?

11            A.     Yes.

12                   MS. BRADFUTE: I would like to move to  
13    admit Exhibits 1 through 7 into the record.

14                   EXAMINER GOETZE: Exhibits 1 through 7 are  
15    so entered.

16                   (Marathon Oil Permian, LLC Exhibit Numbers  
17    1 through 7 are offered and admitted into  
18    evidence.)

19                   MS. BRADFUTE: And that concludes my  
20    questions for this witness.

21                   EXAMINER GOETZE: Mr. Brooks?

22                                 CROSS-EXAMINATION

23    BY EXAMINER BROOKS:

24             Q.     You said there were some state leases in this,  
25    right, in addition to fee leases?

1 MS. BRADFUTE: Yes, that's correct.

2 Q. (BY EXAMINER BROOKS) Are there any overriding  
3 royalties on the state lease -- state leases?

4 A. Currently, we have not found any. The  
5 overriding royalties are derived from the state leases,  
6 and all the fee leases have pooling provisions.

7 Q. Okay. In the affidavit -- I'm sorry. In the  
8 notice by publication, does that include any people on  
9 the list for service that were sent letters but they did  
10 not return green cards?

11 MS. BRADFUTE: Yes.

12 Q. (BY EXAMINER BROOKS) And did you -- to compile  
13 these addresses, did you make a diligent search for  
14 anybody that you were concerned about possibly not  
15 having a good address for?

16 A. Yes, sir. Anything that was returned, we did  
17 additional research either within the courthouses or  
18 online Web sites such as LexisNexis and had our brokers  
19 do additional research and contact.

20 Q. In your opinion, did you exercise reasonable  
21 diligence in conducting those searches?

22 A. Yes, sir.

23 Q. That's all I have -- oh, well, yeah -- no. You  
24 already said that you notified all interest owners in  
25 any lands that were left out of the 160 portion of the

1     **420, right?**

2           A.     Yes, sir.

3           **Q.     I believe I heard you say that.**

4                   MS. BRADFUTE:   That is correct.

5                   EXAMINER BROOKS:   Thank you.

6                   EXAMINER GOETZE:   And I have no questions  
7     for this witness.   Thank you very much.

8                   MS. BRADFUTE:   Thank you.

9                   I would like to call my second witness.

10                  EXAMINER GOETZE:   Please.

11                               TUCKER KEREN,

12           after having been previously sworn under oath, was  
13           questioned and testified as follows:

14                               DIRECT EXAMINATION

15     BY MS. BRADFUTE:

16           **Q.     Could you please state your name for the**  
17     **record?**

18           A.     Tucker Keren.

19           **Q.     Mr. Keren, who do you work for?**

20           A.     Marathon Oil Company.

21           **Q.     And what is your position at Marathon?**

22           A.     I'm a geologist.

23           **Q.     And what are your responsibilities as a**  
24     **geologist at Marathon?**

25           A.     I'm responsible for geologic evaluations and

1 well planning in Eddy County, New Mexico.

2 Q. And have you previously testified before the  
3 Division?

4 A. I have, yes.

5 Q. And were your credentials as a geologist  
6 accepted and made part of the record?

7 A. Yes.

8 Q. Are you familiar with the applications that  
9 have been filed by Marathon in these matters?

10 A. Yes.

11 Q. And are you familiar with the status of the  
12 lands which are the subject matter of these  
13 applications?

14 A. Yes.

15 Q. And are you familiar with the drilling plans  
16 for the wells?

17 A. Yes.

18 Q. Have you conducted a geological study of the  
19 areas embracing the proposed spacing units for the wells  
20 that are being proposed?

21 A. I have.

22 MS. BRADFUTE: I'd like to tender  
23 Mr. Keren as an expert witness in geology matters.

24 EXAMINER GOETZE: He is so qualified.

25 Q. (BY MS. BRADFUTE) Could you please turn to what

1    **has been marked as Exhibit 8A and explain what this**  
2    **document is to the Hearing Examiners?**

3           A.    Yes.  This is a structure map on the top of the  
4    Wolfcamp Formation with units in subsea feet, and you  
5    can see the contours, using a 50-foot contour interval,  
6    are all following an approximately north-south  
7    orientation, making our dip direction in a downdip  
8    direction to the immediate east.

9                   I've also called out the Sweet Tea project  
10   area, which is noted by the dashed black box, and within  
11   there, the planned locations of the two Wolfcamp wells,  
12   the 3H and the 5H.  I've also noted where Marathon's  
13   acreage sits with respect to this project area and where  
14   some of the offsetting Wolfcamp lateral wells are.

15           **Q.    And this structure map pertains to the two**  
16   **Wolfcamp wells that are being proposed, correct?**

17           A.    That's correct.

18           **Q.    And what are the targeted intervals for those**  
19   **wells?**

20           A.    That is the Wolfcamp Formation, and internally  
21   Marathon correlations would describe those as the  
22   Wolfcamp X-Y and the Wolfcamp A Formations.

23           **Q.    And did you prepare a cross section of logs**  
24   **when you were compiling this structure map for today's**  
25   **hearing?**

1           A.    I did.  And that's noted on this exhibit from A  
2   to A prime using the wells Queen Lake 36 State 1 and  
3   Rustler Bluff 1.

4           **Q.    Could you please turn to Tab B within this**  
5   **exhibit?  Is this the cross section that you have**  
6   **prepared?**

7           A.    Yes.

8           **Q.    And could you please explain this cross section**  
9   **to the Hearing Examiners?**

10          A.    Sure.  So from A to A prime, going from the  
11   northwest down to the southeast, I've chosen to display  
12   here, on the tracks going from left to right, the gamma  
13   ray, the depth in TVD and then your resistivity logs and  
14   your porosity logs.  I've also included the formation  
15   tops within the Wolfcamp Formation, the top of the  
16   Wolfcamp noted by the thick blue lines, labeled with  
17   "WFMP."  And finally called out the producing zones  
18   where Marathon will be drilling the 3H and 5H wells.

19          **Q.    Great.**  
20                   **Could you please turn to Tab C of this**  
21   **exhibit and identify what this document is?**

22          A.    This is a gross interval isochore map, top of  
23   the Wolfcamp Formation and Marathon's Wolfcamp B  
24   Formation top.  And this can be considered inclusive of  
25   both producing zones for the 3H and the 5H wells.  You

1 can see, with respect to the project area for the Sweet  
2 Tea, we are expecting continuity in the thickness of  
3 that producing zone.

4 Q. Could you please turn to what's been marked as  
5 Exhibit Number 9? And I want to first look at Tab A  
6 within this exhibit. Could you explain what this  
7 exhibit shows to the Hearing Examiners?

8 A. So now we're looking at a structure map on the  
9 base of the 3rd Bone Spring Sand. And, once again, you  
10 can see the dip direction is down to the east, and I've  
11 also called out the project area and labeled the  
12 location of the 3rd Bone Spring Sweet Tea well. That  
13 would be the 6H.

14 Q. And what is the targeted interval for the Bone  
15 Spring wells that you're planning to drill?

16 A. That's the 3rd Bone Spring Sand.

17 Q. And could you please turn to Tab B? Did you  
18 also prepared a cross section in relation to the Bone  
19 Spring structure map that you just explained?

20 A. Yes.

21 Q. And is this document the cross section that you  
22 prepared?

23 A. This is.

24 Q. Could you please explain this document to the  
25 Hearing Examiners?



1           A.     So this document is a cross section using the  
2     same two wells going from the northwest to the  
3     southeast, and what I've highlighted is the producing  
4     zone in the 3rd Bone Spring Sand, which sits  
5     stratigraphically just above the Wolfcamp Formation.

6           **Q.     And can you please turn to what has been marked**  
7     **as Tab C within this exhibit and explain what that**  
8     **document is to the Hearing Examiners?**

9           A.     So this is a gross interval isochore map on the  
10    3rd Bone Spring Sand Formation. And you can see, with  
11    respect to the Sweet Tea project area, we expect  
12    relative lateral continuity in the thickness of that 3rd  
13    Bone Spring Sand and similar thickness to some of the  
14    offsetting 3rd Bone Spring producing lateral wells such  
15    as the OXY wells up to the -- up to the northeast.

16          **Q.     And are the wells that you've selected to**  
17    **include in your cross sections representative of the**  
18    **Bone Spring and the Wolfcamp Formations within these**  
19    **areas?**

20          A.     They are.

21          **Q.     What conclusions have you drawn from your**  
22    **geological study?**

23          A.     That for both the 3rd Bone Spring and the  
24    Wolfcamp Formation, we could expect lateral continuity  
25    in the geologic properties over the lengths of these

1 lateral wells.

2 Q. Did you notice any impediments to drilling  
3 horizontal wells within the area?

4 A. No.

5 Q. And do you anticipate for the Bone Spring wells  
6 that each quarter-quarter section will be productive  
7 within that formation?

8 A. Yes.

9 Q. And will each quarter-quarter section  
10 contribute approximately equally to the well?

11 A. Yes.

12 Q. And, likewise, did you notice continuity  
13 throughout the lateral for the Wolfcamp wells that are  
14 being proposed?

15 A. I did.

16 Q. Would you please turn to what's been marked as  
17 Exhibit Number 10? And this exhibit has three pages. I  
18 wanted to start with the first page. Could you please  
19 explain what information this document has to the  
20 Hearing Examiners?

21 A. Sure. This is just a schematic of the planned  
22 wellbore to demonstrate where the well will be landed  
23 and where we plan the perforations to be within this  
24 lateral. And this is for 3H well, and I really just  
25 want to point out that we will be landing this well just

1 below that top of the Wolfcamp Formation and perforating  
2 between the two vertical dashed blue lines.

3 Q. And could you please turn to the second page of  
4 this exhibit and explain what this document shows?

5 A. Similarly for the 5H well, we'll be landing  
6 this one slightly deeper in the Wolfcamp A Formation and  
7 perforating between the dashed blue lines.

8 Q. And finally, could you please turn to the last  
9 page of this exhibit and explain this document?

10 A. Similarly for the 6H well in the 3rd Bone  
11 Spring, demonstrating where the landing will be with  
12 respect to the formation tops and where the perforations  
13 will be in the lateral between the dashed blue lines.

14 Q. In your opinion, will the granting of  
15 Marathon's applications be in the best interest of  
16 conservation, the prevention of waste and the protection  
17 of correlative rights?

18 A. Yes.

19 Q. Were Exhibits 7 through -- or were Exhibits 8  
20 through 10 prepared by you or compiled under your  
21 direction and supervision?

22 A. Yes.

23 MS. BRADFUTE: I'd like to move to admit  
24 Exhibits 8 through 10.

25 EXAMINER GOETZE: Exhibits 8 through 10 are

1 admitted into the record.

2 (Marathon Oil Permian, LLC Exhibit Numbers  
3 8 through 10 are offered and admitted into  
4 evidence.)

5 MS. BRADFUTE: And that concludes my  
6 questions for this witness.

7 EXAMINER GOETZE: Thank you.

8 Mr. Brooks?

9 EXAMINER BROOKS: No questions.

10 CROSS-EXAMINATION

11 BY EXAMINER GOETZE:

12 Q. Good morning.

13 A. Good morning.

14 Q. Let's go look at -- let me dig it up -- Exhibit  
15 8B. So it is my understanding, based upon your section  
16 here, it'll be the 3H that will be the upper one in the  
17 X-Y Sand area?

18 A. Correct.

19 Q. And then the 5H will be the Lower A.

20 Is there going to be any difference in the  
21 completions?

22 A. Completions will be identical.

23 Q. Okay. So you're looking at a porosity,  
24 permeability similar in both your target areas?

25 A. Slightly higher in the Y Sand.

1           Q.    Okay.  But, otherwise, we're not looking at  
2   anything significantly different?

3           A.    No.

4           Q.    Okay.  With regards to orientation, I notice we  
5   have a two-mile -- and that would be Figure 8C.  We have  
6   a two-mile down there in Sections 2 and 11, the  
7   township.  Do you know anything about this two-mile or  
8   the mile-and-a-half that's at 25, Section 36?  They look  
9   fairly -- well, one looks like --

10          A.    So what I do know about is the immediate  
11   offsets to the Sweet Tea area to the direct west is  
12   Marathon's Southern Comfort wells.  These also in the  
13   Wolfcamp X-Y Formation, both of these, also  
14   mile-and-a-half laterals.  And based on my geological  
15   study, I would say we expect similar performance from  
16   the Sweet Tea area.

17          Q.    So there's been -- outside of land issues, this  
18   is still a good orientation for the production and  
19   conservation of the resource for this area?

20          A.    Yes.

21          Q.    Now, let's move on to the Bone Spring well.  
22   Let's take a look at Exhibit 9C.  We have here pretty  
23   much a situation where all of the OXY wells in the  
24   northeast portion of this figure are the ones that are  
25   prevalent?  So you don't have any others?

1           A.     So for the 3rd Bone Spring Sand, there are  
2     other Bone Spring Formation wells in the area.  Many of  
3     the wells to the immediate east of the Sweet Tea project  
4     area and to the south, those would be in shallower Bone  
5     Spring Sand or the Avalon.

6           **Q.     Okay.  So 1, 2 and Avalon?**

7           A.     Yeah.

8                     But as far as 3rd Bone Spring Sand, we only  
9     have those OXY wells to the northeast.

10          **Q.     Okay.  So any reason why the orientation -- is**  
11     **there any benefit, or is this still a case-by-case**  
12     **situation?**

13          A.     I wouldn't expect the orientation preference to  
14     be any different than the Wolfcamp Formation.

15          **Q.     Well, that's all the questions I have.  Thank**  
16     **you very much for your time.**

17                     MS. BRADFUTE:  Thank you.  And that  
18     concludes the information that we have today -- the  
19     evidence we have today.  I understand the Division wants  
20     to continue this case to the February 22nd docket for  
21     publication of notice.

22                     EXAMINER GOETZE:  Well, what we could do,  
23     the one case, we could continue, and take the other one  
24     under advisement.

25                     MS. BRADFUTE:  Okay.

1                   EXAMINER GOETZE: So on that, Case Number  
2   15958 will be continued to February 22nd pending the  
3   posting in the docket.

4                   MS. BRADFUTE: Okay.

5                   EXAMINER GOETZE: And then Case Number  
6   15960 is taken under advisement.

7                   MS. BRADFUTE: Thank you.

8                   EXAMINER GOETZE: We're going to a  
9   ten-minute break here, and we'll come on back about  
10   quarter after and pick it up again.

11                   (Case Numbers 15958 and 15960 conclude,  
12                   9:05 a.m.)

13                   (Recess, 9:06 a.m. to 9:17 a.m.)

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1 STATE OF NEW MEXICO  
2 COUNTY OF BERNALILLO

3 CERTIFICATE OF COURT REPORTER

4 I, MARY C. HANKINS, Certified Court  
5 Reporter, New Mexico Certified Court Reporter No. 20,  
6 and Registered Professional Reporter, do hereby certify  
7 that I reported the foregoing proceedings in  
8 stenographic shorthand and that the foregoing pages are  
9 a true and correct transcript of those proceedings that  
10 were reduced to printed form by me to the best of my  
11 ability.

12 I FURTHER CERTIFY that the Reporter's  
13 Record of the proceedings truly and accurately reflects  
14 the exhibits, if any, offered by the respective parties.

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

19 DATED THIS 1st day of March 2018.

20

21

22 MARY C. HANKINS, CCR, RPR  
23 Certified Court Reporter  
24 New Mexico CCR No. 20  
25 Date of CCR Expiration: 12/31/2018  
Paul Baca Professional Court Reporters

24

25