

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. 15985
LLC FOR A NONSTANDARD SPACING AND
PRORATION UNIT AND COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.

Consolidated with

APPLICATION OF MARATHON OIL PERMIAN, CASE NO. 15986
LLC FOR COMPULSORY POOLING, EDDY
COUNTY, NEW MEXICO.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

February 22, 2018

Santa Fe, New Mexico

BEFORE: SCOTT DAWSON, CHIEF EXAMINER
DAVID K. BROOKS, LEGAL EXAMINER

This matter came on for hearing before the
New Mexico Oil Conservation Division, Scott Dawson,
Chief Examiner, and David K. Brooks, Legal Examiner, on
Thursday, February 22, 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
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APPEARANCES

FOR APPLICANT MARATHON OIL PERMIAN, LLC:

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1 (8:26 a.m.)

2 EXAMINER DAWSON: With that, we will now go
3 to number four on the list, 15985, and that's an
4 application of Marathon Oil Permian, LLC for a
5 nonstandard spacing and proration unit and compulsory
6 pooling, Eddy County, New Mexico.

7 Call for appearances, please.

8 MS. BRADFUTE: Mr. Examiner, Jennifer
9 Bradfute on behalf of the Applicant, and we ask that
10 this case be consolidated and heard together with Case
11 Number 15986, which is number five on the docket.

12 EXAMINER DAWSON: Okay. So Case Numbers
13 15985 and 15986 will be consolidated.

14 Call for appearances.

15 MS. BRADFUTE: Jennifer Bradfute, and I
16 have two witnesses here with me.

17 EXAMINER DAWSON: Will your witnesses
18 please stand and be sworn in by the court reporter?

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

20 EXAMINER DAWSON: You may call your first
21 witness.

22 MS. BRADFUTE: Thank you.

23 CHASE RICE,
24 after having been first duly sworn under oath, was
25 questioned and testified as follows:

DIRECT EXAMINATION

1
2 BY MS. BRADFUTE:

3 Q. Good morning. Could you please state your name
4 for the record?

5 A. Chase Rice.

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

7 A. Marathon Oil Permian.

8 Q. And what is your position at Marathon?

9 A. Landman.

10 Q. And what are your responsibilities as a
11 landman?

12 A. Subsurface title, contracts, leasing.

13 Q. And have you previously testified before the
14 Division?

15 A. Yes.

16 Q. And does your area of responsibility at
17 Marathon include the areas of Eddy County in New Mexico?

18 A. Yes.

19 Q. And are you familiar with the applications that
20 have been filed by Marathon in Cases 15985 and 15986?

21 A. Yes.

22 MS. BRADFUTE: I'd like to tender Mr. Rice
23 as an expert in land matters.

24 EXAMINER DAWSON: Mr. Rice will be an
25 expert in petroleum land matters at this time, be

1 accepted as an expert. Thank you.

2 Q. (BY MS. BRADFUTE) Mr. Rice, could you please
3 turn to what has been marked as Exhibit Number 1 in the
4 packet in front of you? And this exhibit has two tabs.
5 I want to focus on Tab A. Could you please identify
6 what this document is for the Examiner?

7 A. This is the application for the Wolfcamp wells
8 in Case Number 15986. This application is for the 3H,
9 5H and 10H wells, which involves the Wolfcamp Formation.

10 Q. And what is Marathon seeking in this
11 application?

12 A. It's seeking to pool all the mineral interests
13 in the Wolfcamp Formation underlying the spacing and
14 proration unit located in the west half of Section 18,
15 Township 23 South, Range 28 East, Eddy County, New
16 Mexico.

17 Q. And is that a standard 320-acre spacing and
18 proration unit?

19 A. Yes.

20 Q. Could you please turn to Tab B within Exhibit 1
21 and identify what this document is for the Hearing
22 Examiners?

23 A. This is application for the 6H well, which
24 involves the Bone Spring Formation.

25 Q. And what is Marathon seeking in this

1 application?

2 A. It is seeking to create a nonstandard 160-acre
3 oil spacing and proration unit in the Bone Spring
4 Formation comprising of the east half-west half of
5 Section 18, Township 23 South, Range 30 East, Eddy
6 County, New Mexico.

7 Q. And the proration unit that Marathon is
8 requesting in this application will be a 160-acre
9 nonstandard spacing and proration unit?

10 A. Yes.

11 Q. Could you please turn to Exhibit 2? And this
12 exhibit again has two tabs, A and B. I want to start
13 with Tab A. Could you please identify this document for
14 the Hearing Examiners?

15 A. This is a C-102 for the Wolfcamp wells.

16 Q. Okay. And the first page of this exhibit,
17 which well does this C-102 form pertain to?

18 A. This one is for the Gravel Grinder 3H.

19 Q. And does this C-102 identify a pool and pool
20 code?

21 A. The Purple Sage Pool, Pool Code 98220.

22 Q. And could you please turn to the second page of
23 this exhibit and identify what this document is?

24 A. It's a C-102 form for the Gravel Grinder 5H.

25 Q. Okay. And, again, the pool identified for the

1 5H is the Purple Sage; Wolfcamp; is that correct?

2 A. Yes.

3 Q. And could you please turn to the third page of
4 this exhibit and identify what that is?

5 A. It's the C-102 form for the Gravel Grinder 10H.

6 Q. And, again, this -- this well -- this 10H well
7 will be drilled within the same pool?

8 A. Yes.

9 Q. Could you please turn to Tab B and identify
10 what that document is for the Hearing Examiners?

11 A. This is the C-102 form for the Gravel Grinder
12 6H.

13 Q. And is this the Bone Spring Pool that Marathon
14 is seeking to develop?

15 A. Yes.

16 Q. And which pool will this well be drilled to
17 develop?

18 A. The Malaga; Bone Spring, Pool Code 42800.

19 Q. Is the Purple Sage; Wolfcamp Gas Pool governed
20 by special pool rules issued by the Division which allow
21 for 320-acre spacing and proration units and 330-foot
22 setback requirements?

23 A. Yes.

24 Q. And will the completed intervals for the
25 Wolfcamp wells that Marathon is proposing comply with

1 the Division's setback requirements?

2 A. Yes.

3 Q. And is the Malaga; Bone Spring, North Pool an
4 oil show that is governed by the Division statewide
5 rules?

6 A. Yes.

7 Q. And will the 6H well that Marathon is proposing
8 comply with the setback requirements issued by the
9 Division?

10 A. Yes.

11 Q. And Marathon is seeking to create a nonstandard
12 160-acre spacing and proration unit for the 6H well,
13 correct?

14 A. Correct.

15 Q. And were offsets given notice of Marathon's
16 application to create that nonstandard proration unit?

17 A. Yes.

18 Q. Could you please turn to Exhibit Number 3? And
19 could you please identify what this document is?

20 A. This is a lease tract map showing the separate
21 tracts that are comprised of the 320-acre Wolfcamp
22 proration unit.

23 Q. And could you please explain the different
24 types of leases that are involved in this 320-acre
25 spacing and proration unit?

1 A. All the acreage within this unit is fee
2 acreage.

3 **Q. Okay. And it looks like it's comprised of five**
4 **different tracts?**

5 A. Correct.

6 **Q. Could you please turn to the second page of**
7 **this exhibit and explain what this information is?**

8 A. This summarizes the committed working interests
9 and uncommitted working interests that comprise the
10 320-acre Wolfcamp proration unit.

11 **Q. And could you please turn to the last page and**
12 **explain what this document is to the Hearing Examiners?**

13 A. This document outlines the uncommitted mineral
14 interest owners that will be within the 320-acre
15 proration unit.

16 **Q. And there is a note at the bottom of this page**
17 **which states that all unleased mineral interests**
18 **represented above, you believe, have been leased to**
19 **Mewbourne Oil Company by an assignment that was supposed**
20 **to have been recorded around February 20th, 2018. Has**
21 **Marathon received a copy of that assignment from**
22 **anybody?**

23 A. They have never received a copy of that
24 assignment.

25 **Q. Have you been able to confirm that anything has**

1 **been recorded as far as these interests being assigned**
2 **to Mewbourne?**

3 A. Not as of today.

4 **Q. Have you provided Mewbourne with notice of this**
5 **hearing today?**

6 A. Yes.

7 **Q. And how did you do that?**

8 A. Through email.

9 **Q. And who did you email?**

10 A. Corey Mitchell.

11 **Q. And is Corey Mitchell the landman at Mewbourne**
12 **who is responsible for the assets located in the area**
13 **identified?**

14 A. Yes.

15 **Q. What type of interests do you seek to pool**
16 **within the Wolfcamp Formation?**

17 A. The uncommitted working interests and unleased
18 mineral interests.

19 **Q. And could you please turn to Exhibit Number 4**
20 **and identify what the first page of this exhibit is?**

21 A. This is a lease tract map to the Bone Spring
22 160 proration unit.

23 **Q. And what types of leases consist -- make up**
24 **this project area?**

25 A. Fee acreage.

1 **Q. And how many different tracts will be included**
2 **within the project area for this well?**

3 A. Three tracts.

4 **Q. Could you please turn to the second page of**
5 **this exhibit and identify what this document is?**

6 A. This document that outlines the committed
7 working interests and the committed [sic] interests for
8 160-acre proration unit.

9 **Q. And could you please turn to the third page of**
10 **this exhibit and explain what that is?**

11 A. This outlines the unleased mineral interests
12 that will be within the 160-acre proration unit.

13 **Q. And is the same notation included on this**
14 **exhibit concerning a possible assignment to Mewbourne?**

15 A. Yes.

16 **Q. And did Mewbourne also -- or did Marathon also**
17 **provide Mewbourne notice of the Bone Spring application**
18 **that is proposed today?**

19 A. Yes.

20 **Q. Okay. And what types of parties or interests**
21 **do you seek to pool in the Bone Spring Formation?**

22 A. All the uncommitted and unleased mineral
23 interests.

24 **Q. Could you please summarize to the Hearing**
25 **Examiners what efforts Marathon has made to obtain**

1 voluntary pooling of the interests within these proposed
2 project areas?

3 A. We've contacted all the uncommitted working
4 interests and all the unleased mineral interests. We're
5 currently in negotiations with the working interests on
6 an operating agreement. We attempted to lease the
7 unleased mineral interest owner, but they went with
8 another party.

9 Q. And in your opinion, has Marathon made a
10 good-faith effort to obtain voluntary joinder in the
11 wells?

12 A. Yes.

13 Q. Could you please turn to Exhibit Number 5? Did
14 Marathon also send out well-proposal letters to all of
15 the working interests and unleased mineral interest
16 owners that it seeks to pool?

17 A. Yes.

18 Q. And in those well-proposal letters, did
19 Marathon provide the pooled parties an opportunity to
20 elect to join and participate in each of the separate
21 wells which are the subject matters of these
22 applications?

23 A. Yes.

24 Q. And could you please identify what Exhibit
25 Number 5 is for the Hearing Examiners?

1 A. Exhibit Number 5 is a form letter that was sent
2 to the uncommitted -- or the unleased mineral interest
3 owners that we identified to be within the pools.

4 **Q. And did you also send AFEs along with the**
5 **well-proposal letters?**

6 A. Yes.

7 **Q. Could you please turn to Exhibit Number 6,**
8 **which includes Tabs A, B, C and D? And I want to first**
9 **start with Tab A. Is this document an AFE that Marathon**
10 **sent out for the 3H well?**

11 A. Yes.

12 **Q. And within this AFE, did Marathon provide costs**
13 **for drilling the well, dry-hole costs and completion**
14 **costs to the parties that it's seeking to pool?**

15 A. Yes.

16 **Q. And what are those costs for the 3H well?**

17 A. The approximate drilling is 2.9 million, with
18 completion, equipment and artificial lift costs,
19 3.5 million.

20 **Q. And could you please turn to Tab B? Could you**
21 **please identify what that document is?**

22 A. This is the AP for the Gravel Grinder 5H.

23 **Q. And did you, likewise, identify costs within**
24 **this AFE?**

25 A. Yes.

1 **Q. Could you please explain what those costs are?**

2 A. Location and drilling costs are approximately
3 2.9 million, with completion, surface and artificial
4 lift costs of 3.6 million.

5 **Q. And could you please turn to Tab C and identify**
6 **what this document is?**

7 A. This is the AFE for the Gravel Grinder 10H.

8 **Q. And did you identify costs for drilling,**
9 **completing and equipping the 10H well within this AFE?**

10 A. Yes.

11 **Q. Could you please explain what those are?**

12 A. Location and drilling costs are approximately
13 2.9 million. The completion, equipping costs and
14 artificial lift costs are approximately 3.6 million.

15 **Q. And could you please turn to Tab D and identify**
16 **what this document is?**

17 A. It's the AFE for the Gravel Grinder 6H.

18 **Q. And did you, likewise, provide costs within**
19 **this AFE?**

20 A. Yes.

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

23 A. Location and drilling costs, approximately 2.9
24 million; completion and equipping and artificial lift
25 cost, approximately 3.6 million.

1 Q. And are the costs that you proposed in these
2 AFEs in line with the costs to drill other horizontal
3 wells to these lengths and these depths within this area
4 of New Mexico?

5 A. Yes.

6 Q. And in your opinion, who should be appointed as
7 the operator of these wells?

8 A. Marathon Oil Permian, LLC.

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

12 A. So we're requesting 7,000 a month be allowed
13 for drilling the well and 700 a month be allowed for the
14 producing well.

15 Q. And are these amounts equivalent to those
16 normally charged by Marathon and other operators for
17 drilling horizontal wells of these lengths and depths
18 within New Mexico?

19 A. Yes.

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

23 A. Yes.

24 Q. And does Marathon request the maximum cost plus
25 200 percent risk charge if any pooled working interest

1 owner fails to pay its share of costs for drilling,
2 completing and equipping the wells?

3 A. Yes.

4 Q. And were the parties that you're seeking to
5 pool notified of this hearing?

6 A. Yes.

7 Q. Could you please explain to the Hearing
8 Examiners what efforts Marathon made to find and locate
9 addresses and contact information for those parties?

10 A. Different -- additional efforts were made,
11 courthouse research, phone calls, trying to find updated
12 mailing addresses, contacting other parties, siblings or
13 relatives.

14 Q. And in your opinion, did Marathon exercise
15 reasonable diligence in locating the affected parties?

16 A. Yes.

17 Q. Could you please look at Exhibit 7A? Is this
18 document an Affidavit of Notice that you asked your
19 counsel to prepare confirming that notice was given in
20 Case Number 15986?

21 A. Yes.

22 Q. And could you please turn to the last page of
23 this exhibit? Is this document an Affidavit of
24 Publication also confirming that notice was published in
25 a newspaper of general circulation?

1 A. Yes.

2 Q. And could you please turn to Tab B? Is this an
3 Affidavit of Notice that you requested that your counsel
4 prepare in Case Number 15985 confirming that notice was
5 given to the affected parties?

6 A. Yes.

7 Q. And could you please turn to the very last page
8 of this exhibit? Is this last page an Affidavit of
9 Publication confirming that publication was made giving
10 notice to affected parties?

11 A. Yes.

12 Q. Were Exhibits 1 through 7 prepared by you or
13 under your supervision or compiled from company business
14 records?

15 A. Yes.

16 Q. And in your opinion, is the granting of these
17 applications within the interest of conservation and the
18 prevention of waste?

19 A. Yes.

20 MS. BRADFUTE: I'd like to move to have
21 Exhibits 1 through 7 admitted into the record.

22 EXAMINER DAWSON: Okay. At this time
23 Exhibits 1 through 7 will be admitted to the record.

24 MS. BRADFUTE: And that completes my
25 questions for this witness.

1 (Marathon Oil Permian, LLC Exhibit Numbers
2 1 through 7 are offered and admitted into
3 evidence.)

4 EXAMINER DAWSON: David?

5 CROSS-EXAMINATION

6 BY EXAMINER BROOKS:

7 **Q. Yeah. First of all, Examiner Dawson has**
8 **pointed out to me that there is an error regarding the**
9 **location of at least one of these wells.**

10 EXAMINER BROOKS: Is that only in the
11 second case?

12 EXAMINER DAWSON: The name. There was an
13 error on Case Number 15985. It was initially "Gravel
14 Grinder Fee 28-28-18 TB 68." It should be the 23-28-18.

15 EXAMINER BROOKS: Does it correctly
16 identify the location? Is there anyplace where -- is
17 there anyplace where it says that it is in --

18 EXAMINER DAWSON: The east half-west half
19 is correctly identified.

20 EXAMINER BROOKS: Okay.

21 EXAMINER DAWSON: "East half-west half of
22 Section 18, 23 South, 28 East." The only thing wrong
23 with that -- I noticed on the initial application, the
24 name was not correct on the 6H, but it looks like it's
25 corrected in your exhibits.

1 MS. BRADFUTE: Yes, it is. Yeah.

2 EXAMINER BROOKS: Well, in the
3 advertisement, then, the name of the well is wrong, but
4 the location is correct.

5 MS. BRADFUTE: That is correct.

6 EXAMINER BROOKS: Okay. I think that's
7 probably harmless. I was going to say we would have to
8 go through the same procedure we did in the case we just
9 disposed of if the location was incorrect in the
10 advertisement. So let me look here at the
11 advertisements here.

12 EXAMINER DAWSON: I saw it. It was 28-18.

13 EXAMINER BROOKS: Which cases are these?

14 EXAMINER DAWSON: 15985.

15 EXAMINER BROOKS: It says the "east
16 half-west half of Section 18," which is 23 South, 28
17 East. And that's correct.

18 EXAMINER DAWSON: That's correct. Yeah.
19 The only thing wrong is the name of the well, the number
20 on the name.

21 EXAMINER BROOKS: Okay. Well, I think if
22 only the name of the well is in error, we're okay.

23 MS. BRADFUTE: Okay.

24 **Q. (BY EXAMINER BROOKS) Now, I believe you covered**
25 **the notice issues pretty clearly, but just to recap, you**

1 don't have any uncommitted -- well, Chevron is
2 uncommitted.

3 A. Correct, but they are close to finalizing an
4 operating agreement.

5 Q. And there was one other industry.

6 A. Tap Rock Resources.

7 Q. Tap Rock Resources. What the status with them?

8 A. We're coordinating with them and Chevron.

9 Q. Them and Chevron are both possible joiners?

10 A. Correct.

11 Q. Those are the only people that are not -- so
12 far as your information goes, not leased to Mewbourne,
13 correct?

14 A. Correct.

15 Q. The other parties, you don't have that
16 confirmed?

17 A. We didn't find out until Tuesday evening, so we
18 haven't --

19 Q. Have you given notice to all of the listed
20 unleased mineral owners --

21 A. Yes.

22 Q. -- that you know about?

23 A. We were -- we have been attempting to lease
24 them. There are three or four entities that actually
25 have the executive rights to the minerals, and we were

1 negotiating with them, but they may have gone with a
2 better deal.

3 Q. Thank you.

4 EXAMINER BROOKS: I'll pass the witness.

5 Oh, I forgot to ask.

6 Q. (BY EXAMINER BROOKS) The wells involved in the
7 first case are all Wolfcamp, correct?

8 A. Yes, sir.

9 Q. And they're all in the -- the same spacing
10 unit, that is, the west half of Section 18?

11 A. Correct.

12 Q. And are they at different depths?

13 A. They target separate intervals within the
14 Wolfcamp Formation.

15 Q. Okay. I will ask your --

16 A. Geologist.

17 Q. -- technical witness about that.

18 A. That would be the better witness.

19 Q. That's all I have.

20 A. All right.

21 CROSS-EXAMINATION

22 BY EXAMINER DAWSON:

23 Q. The only questions I have is: On your AFEs --

24 A. Sir.

25 Q. -- on Exhibit 6A, B, C and D, what did you say

1 **your AFE was for the -- let's see -- 3H, the dry-hole**
2 **cost?**

3 A. For the 3H dry-hole costs, including location
4 and drilling costs, approximately 2.3 million, looks
5 like. Add up those two, 2.2 for drilling costs;
6 location is 71,000.

7 **Q. Oh, okay.**

8 **And then the completion costs?**

9 A. Completion -- including surface equipment,
10 artificial lift, completion costs are 3.7, and the
11 equipment costs and artificial lift, probably 4.7 total.

12 **Q. Because I was looking at the costs and you were**
13 **quoting a little bit different numbers, but I see here**
14 **what you're doing now. You're adding in the --**

15 A. Yeah. It's all broken out through different
16 things, but however you want to read that.

17 **Q. Okay. All right. That's all the questions I**
18 **have. Thank you very much.**

19 MS. BRADFUTE: Thank you.

20 I'd like to call my second witness.

21 EXAMINER DAWSON: Yes.

22 ANDREW BECKER,

23 after having been previously sworn under oath, was
24 questioned and testified as follows:

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DIRECT EXAMINATION

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BY MS. BRADFUTE:

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

A. Andrew Becker.

Q. And, Mr. Becker, who do you work for?

A. Marathon Oil.

Q. And what are your responsibilities at Marathon?

A. I'm a geologist at Marathon Oil. I do regional evaluations and land and trade and acquisitions.

Q. And have you previously testified before the Division?

A. No.

Q. Could you please provide the Hearing Examiners with an explanation of your educational background?

A. Bachelor's and master's degree in geology at Texas A & M University.

Q. And when did you graduate with those?

A. Bachelor's in 2009, master's in 2012.

Q. And could you please provide an explanation of your work history?

A. I've working with Marathon Oil for the past five years.

Q. And have you worked as a geologist during that time?

1 A. Yes.

2 Q. And are you a member of any professional
3 organizations?

4 A. AAPG, GSA and HGS.

5 Q. And are you familiar with the applications that
6 have been filed by Marathon in these matters?

7 A. Yes.

8 Q. Are you familiar with the status of the lands
9 which are the subject matter of these applications?

10 A. Yeah.

11 Q. Are you familiar with the drilling plans for
12 the wells?

13 A. Yes.

14 Q. Have you conducted a geologic study of the area
15 embracing the -- in the Wolfcamp and Bone Spring
16 Formations?

17 A. Yes.

18 MS. BRADFUTE: I'd like to tender
19 Mr. Becker as an expert in geology.

20 EXAMINER DAWSON: Mr. Becker will be
21 accepted as an expert witness in geology matters.

22 Q. (BY MS. BRADFUTE) Mr. Becker, what is the
23 targeted interval for the 3H, the 5H and the 10H wells
24 in the Wolfcamp?

25 A. Yeah. So these are Upper Wolfcamp targets.

1 The 3H and the 10H, with Marathon nomenclature, would
2 target the Wolfbone X-Y sands, and the 5H, the Wolfcamp
3 A.

4 **Q. And what is the targeted interval for the Bone**
5 **Spring well, the 6H well?**

6 A. The 6H well is the Lower 3rd Bone Spring.

7 **Q. Take a look at Exhibit 8, which has three**
8 **different tabs under it. Let's first focus on Tab A.**
9 **Could you please tell the Examiners what this document**
10 **represents?**

11 A. This is the top of the Wolfcamp structure map
12 in subsea and TVD, with north-south trending strike and
13 then the dip going down to the east in the warmer
14 colors. And on this map, we have our project area with
15 the dashed black line, with the proposed wells in blue,
16 Wolfcamp horizontals to the east in black and the
17 Marathon acreage in yellow.

18 **Q. And when you were putting together this**
19 **structure map, did you notice anything structurally that**
20 **would interfere with the contribution of the acreage to**
21 **the proposed Wolfcamp wells?**

22 A. I don't believe so. We're drilling right along
23 the strike, and it seems pretty quiet.

24 **Q. And could you please turn to Tab B? Did you**
25 **prepare a cross section of logs when you were also**

1 putting together the structure map?

2 A. Yes.

3 Q. And is this document the cross section that you
4 prepared?

5 A. Yes.

6 Q. And could you please explain this exhibit to
7 the Hearing Examiners?

8 A. So these are representative wells for the
9 project area. Looking at the log tracks, from left to
10 right, we have gamma ray, depth and TVD, our resistivity
11 and porosity, and we have -- it's hung on the
12 stratigraphic datum on the top of the Wolfcamp. And we
13 have our producing zones highlighted for the Wolfcamp
14 X-Y, and below that, the A.

15 Q. And are the wells that you've selected to
16 include within this cross section representative of the
17 Wolfcamp Formation in the area?

18 A. Yes.

19 Q. And are they representative of the different
20 zones that Marathon is targeting with the zones?

21 A. In the Wolfcamp, yes.

22 Q. And in this cross section, what observations
23 have you made about the Wolfcamp Formation?

24 A. That the reservoir properties and thickness are
25 consistent across the length of the lateral.

1 **Q. And can you please turn to Tab C and explain**
2 **what this document represents to the Hearing Examiners?**

3 A. This is also a Wolfcamp map. It's the gross
4 thickness interval for our project area and the
5 surrounding areas, which is approximately around 325
6 feet. And I just wanted to point out that the thickness
7 pretty is consistent across our project area.

8 **Q. Okay. Could you please turn to Exhibit 9?**
9 **This, again, has three different tabs. I want to start**
10 **with Tab A. Could you please explain what this document**
11 **represents to the Hearing Examiners?**

12 A. This right here is a similar map. It's a
13 structure map for the base of the 3rd Bone Spring with,
14 again, a north-south trending strike, with the dip down
15 to the east with the warmer colors. And just to point
16 out, we have Bone Spring wells highlighted to the east
17 and northeast. I believe that the one directly to the
18 east and to the northeast, the closest, are Lower 3rd
19 Bone Spring operated by OXY, and the one farther to the
20 northeast, a 2nd Bone Spring, is also operated by them.

21 **Q. And when you were putting together this**
22 **structure map, did you notice anything that would**
23 **interfere with the contribution of the acreage to the**
24 **proposed Bone Spring well?**

25 A. No.

1 **Q. Could you please turn to Tab B and explain what**
2 **this document is?**

3 A. A similar cross section as before, with
4 left-to-right gamma ray, depth and TVD, resistivity and
5 porosity. And it's hung on the stratigraphic datum on
6 the top of the 3rd Bone Spring. And I do believe these
7 are representative wells for the area, and we are
8 showing the gross producing interval for the 3rd Bone
9 Spring, upper and lower.

10 **Q. And what does this cross section show you about**
11 **the acreage that's proposed to be dedicated to the 6H**
12 **well?**

13 A. That we have consistent thickness and reservoir
14 properties across the length of the lateral.

15 **Q. And could you please turn to Tab C and explain**
16 **to the Hearing Examiners what that represents?**

17 A. So this is the gross thickness interval for the
18 3rd Bone Spring, so the top of the 3rd Bone Spring to
19 the base of the 3rd Bone Spring, and just showing there
20 is a consistent thickness across the area of around 325
21 feet.

22 **Q. And what conclusions have you drawn from your**
23 **geologic study of the Wolfcamp and Bone Spring**
24 **Formations in this area?**

25 A. I believe that we shouldn't have any surprises

1 and that the reservoir properties, thickness and
2 structure should be pretty consistent.

3 Q. Did you notice any impediments to horizontal
4 development within the area?

5 A. No.

6 Q. And is it your belief that the laterals for
7 each of the wells that have been proposed will
8 contribute approximately equally along the length of the
9 lateral?

10 A. Yes, ma'am.

11 Q. And will each quarter-quarter section of the
12 proposed wells be productive in the Wolfcamp or the Bone
13 Spring Formation, respectively?

14 A. Yes.

15 Q. Could you please turn to Exhibit 10? And this
16 exhibit has several pages. Could you please explain
17 what the first page of this exhibit shows?

18 A. Okay. All of these diagrams are going to show
19 our wellbore diagram, with the dashed line showing the
20 extent of our perforations within -- within the length
21 of our lateral. And then the bold line shows our
22 lateral landing in this case between the top of the
23 Wolfcamp and the top of the Wolfcamp A.

24 Q. Could you please turn to the second page of
25 this exhibit and explain what this document is?

1 A. Again, the dashed lines show the extent of our
2 perforation and the lateral landing below the top of the
3 Wolfcamp A.

4 **Q. And that is a diagram for the 5A well?**

5 A. Correct.

6 **Q. And can you turn to the next page and explain
7 what this is to the Hearing Examiners?**

8 A. This is the wellbore diagram for the well, the
9 10H, landing between the top of the Wolfcamp and top of
10 the Wolfcamp A.

11 **Q. And could you please turn the page and identify
12 what this document is?**

13 A. This is the wellbore diagram for the 6H,
14 landing between the top of the 3rd Bone Spring and the
15 top of the Wolfcamp.

16 **Q. In your opinion, would the granting of
17 Marathon's applications be in the best interest of
18 conservation, the prevention of waste and the protection
19 of correlative rights?**

20 A. Yes.

21 **Q. And were Exhibits 8 through 10 prepared by you
22 or compiled under your direction and supervision?**

23 A. Yes.

24 MS. BRADFUTE: I'd like to move to admit
25 Exhibits 8 through 10 into the record.

1 EXAMINER DAWSON: Exhibits 8 through 10
2 will be admitted into the record at this time.

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

6 MS. BRADFUTE: Thank you. That concludes
7 my questions.

8 EXAMINER DAWSON: David, do you have any
9 questions?

10 EXAMINER BROOKS: Yes.

11 CROSS-EXAMINATION

12 BY EXAMINER BROOKS:

13 Q. First of all, on Exhibit 10, these diagrams --

14 A. Yes.

15 Q. -- you testified that the dashed lines
16 represent the extent of your perforations?

17 A. That's correct.

18 Q. To clarify the record, I'm assuming, from the
19 way this is drawn, that what you mean by that is that
20 they represent horizontally along the wellbore the area
21 within which your first perforation will be made?

22 A. That's correct.

23 Q. From the first perforation to the last
24 perforation; is that correct?

25 A. That is correct.

1 **Q. And they don't have anything to do with where**
2 **the perforations will go in the formations?**

3 A. Exactly. Yes, exactly. The perforations will
4 occur between the dashed lines.

5 **Q. Okay. Now, the three Wolfcamp wells --**

6 A. Yes.

7 **Q. -- are all in the west half of Section 18,**
8 **right?**

9 A. I believe so, yes.

10 **Q. Are they -- I didn't see any composite maps.**
11 **Are they arranged horizontally or vertically?**

12 A. So the Wolfcamp X-Y wells should be on the edge
13 of our project area, and those should be targeting the Y
14 Sand. And then below that vertically, in the middle of
15 the project area, would be the Wolfcamp A well.

16 **Q. Okay. So the 23-28-18 WXY 3H is where?**

17 A. The 3H is on the west side of the project area
18 and targeting the Y Sand.

19 **Q. Okay. And the --**

20 MS. BRADFUTE: It may help to look at
21 Exhibit 2. Sorry to interrupt. But that contains --
22 the 2A contains the C-102s.

23 EXAMINER DAWSON: I have the exhibit for
24 him to look at. I drew up the well pads on these so I
25 have it sitting here.

1 Q. (BY EXAMINER BROOKS) Yeah. You don't have it
2 very clearly marked on any of these exhibits, as far as
3 I can tell, but Scott has marked it in.

4 So the #3H is going to be 330 from the west
5 line, right?

6 A. Correct.

7 Q. And the #5H is going to be approximately in the
8 center, which would make it close to 1,320 from the west
9 line; is that correct?

10 A. 990 plus 330, correct.

11 Q. Yeah. That's 1320.

12 A. Yeah.

13 Q. And the #10H is going to be, again, in the
14 Wolfcamp?

15 A. The 10H is in the X-Y.

16 Q. And it's in the Y zone?

17 A. Yeah, the Y. Correct.

18 Q. Wolfcamp Y?

19 A. Uh-huh.

20 Q. And it's 330 -- it's 330 from the half-section
21 line, which would make it 2,310 from the -- from the
22 west line, right?

23 A. I believe so, yes. Yeah.

24 Q. Okay. And then there is only one Wolfcamp
25 that's in the Wolfcamp A, and that is --

1 A. Correct.

2 Q. Which well?

3 A. That is the 5H.

4 EXAMINER DAWSON: The one in the middle.

5 Q. (BY EXAMINER BROOKS) Okay. And the #5H -- the
6 Wolfcamp A, is that a deeper or shallower zone?

7 A. Deeper.

8 Q. So it's below the others?

9 A. Correct.

10 Q. Now, we don't have to ask these questions about
11 the Bone Spring because there is only one well.

12 A. Okay.

13 Q. I believe -- yeah. I believe that's all the
14 questions I have. Thank you.

15 CROSS-EXAMINATION

16 BY EXAMINER DAWSON:

17 Q. The 6H well in the Bone Spring -- let me find
18 it. Hang on. Is that Lower Bone Spring?

19 A. That's correct.

20 Q. I'm trying to find the cross section.

21 MS. BRADFUTE: It is 9B, Scott.

22 EXAMINER DAWSON: 9B?

23 MS. BRADFUTE: Yeah.

24 Q. (BY EXAMINER DAWSON) Okay. So the target
25 interval -- looking at Exhibit 9B, on your cross

1 section, the target interval will be roughly between
2 8,900 and 9,000? Is that where you're targeting in
3 there?

4 A. That's correct.

5 Q. Okay. So up at the top there?

6 A. Oh, for the Lower 3rd Bone Spring?

7 Q. Lower 3rd.

8 A. We will be targeting around 9,100.

9 Q. 9,100. Okay.

10 So you'll be about 250 feet above the
11 Wolfcamp?

12 A. Correct. Yeah. We'll be in the lower half of
13 the 3rd Bone Spring.

14 Q. Okay. And looking at your cross section, first
15 one -- I'm sorry -- Exhibit Number 9C, your map, on the
16 well paths, it looks like you're drilling those from
17 south to north?

18 A. Correct.

19 Q. And do you notice any difference between a
20 south-to-north or north-to-south well versus west-east
21 or east-west wells in any of these zones?

22 A. No. Because of the regional stress, we don't
23 see --

24 Q. A lot of them look like they're west-east
25 or east-west.

1 A. That's correct.

2 Q. So you expect your -- your wells -- your
3 south-to-north wells to be pretty similar to the wells
4 over there -- the Carter Gas Coms?

5 A. Exactly.

6 Q. All right. That's all the questions I have.
7 Thank you very much.

8 MS. BRADFUTE: Thank you. That concludes
9 the information that I have today. We ask these cases
10 be taken under advisement.

11 EXAMINER DAWSON: Okay. So at this point,
12 Case Numbers 15985 and 15986 will be taken under
13 advisement. Thank you very much.

14 MS. BRADFUTE: Thank you.

15 (Case Numbers 15985 and 15986 conclude,
16 9:02 a.m.)

17

18 I do hereby certify that the foregoing is
19 a correct report of the proceedings in
the hearing of Case No. _____
20 heard by me on _____

21

_____, Examiner
Oil Conservation Division

22

23

24

25

1 STATE OF NEW MEXICO
2 COUNTY OF BERNALILLO

3

4 CERTIFICATE OF COURT REPORTER

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

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

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

20 DATED THIS 9th day of March 2018.

21

22

23

24

25



MARY C. HANKINS, CCR, RPR
Certified Court Reporter
New Mexico CCR No. 20
Date of CCR Expiration: 12/31/2018
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